

Matching Grant Annual Progress Report to September 30, 2004

November 2004

**Prepared for
United States Agency for
International Development
(USAID)**

Award No: HFP-A-00-01-00020-00



**155 Frobisher Drive, Suite I-106
Waterloo, ON N2V 2E1 Canada**

**T: (519)725-1633
F: (519)725-9083
E: nmotts@meda.org**

MEDA's Matching Grant Program

Progress Report to September 30, 2003

Table of Contents

EXECUTIVE SUMMARY	1
1. BACKGROUND TO GRANT AND PROJECT CONTEXT	2
2. PROJECT METHODOLOGY	5
2.1 Summary of Project	5
2.2 Overview of Accomplishments	7
2.3 Variances from DIP During Year Three	10
3. MONITORING AND EVALUATION	12
3.1 Changes to Monitoring and Evaluation Plan	12
3.2 End of Project Final Evaluation	12
4. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY - PERU	13
4.1 Description	13
4.2 Comparison of Actual Accomplishments to DIP	17
4.3 Relationship with Local Implementation Partners	17
5. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY – MOZAMBIQUE..	19
5.1 Description	19
5.2 Comparison of Actual Accomplishments to DIP	24
5.3 Relationship with Local Implementation Partners	25
6. MANAGEMENT: REVIEW AND ANALYSIS OF HEADQUARTERS/SUPPORT FUNCTIONS	26
7. FINANCIAL NARRATIVE REPORT, PERIOD ENDING SEPTEMBER 30, 2004.....	30
8. LESSONS LEARNED AND LONG TERM PROJECT IMPLICATIONS.....	31
9. ATTACHMENTS TO ANNUAL REPORTS	34

CREDIT AND SMALL BUSINESS DEVELOPMENT PROGRAMS

MEDA Matching Grant Program

USAID Award No. HFP-A-O-00020-00

EXECUTIVE SUMMARY

During the year, USAID approved a no cost time extension of six months to the Matching Grant (MG) Program to enable MEDA to complete specified activities that had been delayed. By 30th September 2004, with three of the now three and a half year duration of the MG elapsed, nearly all MG Program targets have been met or exceeded and the MG has essentially been completed. In addition to wrapping up the delayed activities, MEDA is now turning its' attention to completing the project cycle – documentation and publication of lessons learned in the area of Business Development Services (BDS), internal summative review and end-of-project evaluation – to bring this MG to a close.

This MG has essentially supported institutional development at MEDA to enable it to more effectively address and serve the needs of the productive poor internationally. This MG assisted MEDA, at a global level, to:

- Formulate and implement a substantial shift in how it conceptualizes, structures and manages its' core areas of business. This is enabling MEDA to improve efficiency, better leverage in-house expertise and deploy its' scarce resources more strategically;
- Update, strengthen and position MEDA's BDS and Production and Marketing Linkages (PML)¹ capacity and expertise on the cusp of current good practice amongst its' peers;
- Become an innovator. Through design and testing of new assessment and monitoring tools and IT-based products, MEDA's and its' partners' projects are 'smarter', perform better; and,
- Expand its' overall capacity to design, monitor and manage BDS/PML and Micro Finance (MF) programs which apply leading BDS/PML/MF practices.

At a 'country level', this MG assisted MEDA to:

- Shepherd its' local MF partner institution in Mozambique, *Kulane ka Ntwanano*, into a merger with a banking consortia led by Opportunity International (OI) that will launch in 2005 thus setting the stage for long term sustainability, and to play a central role in reforming Mozambique's policy and regulatory system for the Micro-Finance Institution (MFI) sector; and,
- Utilize its' country program in Peru to incubate, test and document PML's 'syndicated productivity chain' concept and Agro Monitor, an IT productivity chain monitoring and information management tool which generates decision support data for project managers and key businesses operating in productivity chains.

The unfolding outcomes from the changes at MEDA supported by this MG?

- MEDA is landing major, long term PML and MF project contracts;
- Actual annual revenue growth is on track to meeting targets for the 2007 financial year;
- MEDA is now represented on the Board of SEEP, a leading international PML/MF peer professional development forum and MEDA staff are increasingly sought after to play teaching, training and evaluative roles in a consultancy capacity.

As the MG concludes, MEDA is well positioned to fulfill its' mission.

¹ In this document, the term PML denotes both one of MEDA's new 'product lines' and a vertical area of activity and includes, for discussion convenience, the more cross-cutting BDS area of activity.

1. BACKGROUND TO GRANT AND PROJECT CONTEXT

Throughout its fifty years of work in the international economic development (IED) field, MEDA has enjoyed a largely successful record of designing and executing effective projects and strategies that have significantly improved the incomes and livelihoods of, by now, hundreds of thousands of the economically active poor in developing countries. MEDA's achievements are, in no small measure, attributable to its' strong commitment to the ethical, community-minded business perspectives of its' founders. MEDA understands that achieving sustainable increases in the incomes of the poor is best tackled by empowering them to participate and compete more effectively in local markets. The nature of this challenge has changed dramatically over the fifty years of MEDA's work in this area. Local markets are increasingly tied into global supply chains, intensifying competition and pressuring producers and buyers alike to increase productivity, adopt just-in-time business practices, commit to continual product quality improvement, obtain product quality certification, drive waste and cost out of the production and distribution system, and devise ever more creative ways to obtain financing and form strategic alliances to capture and retain a competitive edge. In an effort to keep pace, PVOs in the IED field have little choice but to also adapt, innovate and reinvent themselves in order to remain relevant and effective. Even given its' historical business orientation, MEDA is no exception. In response to these changing realities, this MG is assisting MEDA to ensure that its' IED competencies are up to date in relation to engaging the forces of the global marketplace effectively for the benefit of the productive poor and that MEDA retains its' position as a leading PVO in the IED field.

The MG has been implemented at MEDA headquarters and at MEDA country program levels in Peru (agriculture productivity chains) and Mozambique (micro-finance).²

Project context at MEDA headquarters

Prior to the MG, senior management had concluded that MEDA's international operations were being constrained by an increasingly out-of-step institutional structure that had been eclipsed by trends in the IED field toward more flexible, agile and entrepreneurial not-for-profit PVOs. MEDA's professional capabilities in this field also needed to be updated. This aspect of the MG focused on assisting MEDA to accomplish three main tasks:

- Overhaul MEDA's aging 'departmental' organizational structure of its' IED divisional operations into a form more in keeping with the evolving needs of its' clients (the productive poor) and the demands of the IED marketplace;
- Update core MEDA's competencies in the area of BDS/PML; and,
- Improve the effectiveness of MEDA's cross-cutting operations in specified areas (i.e.: gender performance, project monitoring and impact assessment; product and service innovation; deployment of in-house expertise; etc).

With minor exceptions, this aspect of the project has been executed to plan and has achieved its' objectives.

Project Context for Peru

This component of the MG focused on agriculture productivity chains. At the institutional level within MEDA, the MG has been concerned with:

- Establishing MEDA's field staff and key partner capabilities in leading edge BDS/PML methods and practices, including leading and mentoring 'syndicated productivity chain' partnerships (see next point);

² Original proposal submitted for the 2001 Matching Grant Program by MEDA.

- Development, validation, documentation and dissemination of the syndicated productivity chain model (which essentially reduces and shares business risk, improves predictability and helps to streamline and improve the operating efficiency of local commodity supply chains);
- Development and commercialization of Agro Monitor, an MIS software application that, in addition to other end uses, serves as the operational underpinnings of the syndicated productivity chain model.

In terms of outcomes in Peru, the MG has:

- Supported two commodity-focused productivity chain improvement projects implemented by MEDA:
 - Snow peas: established and expanded hi-tech hydroponics irrigation small farm production driven by commercial linkages brokered in export markets;
 - Syndication and streamlining of a rice production-processing chain using Agro Monitor;
- Enabled Agro Monitor to be rolled out on a commercial basis (40 installations to date); and,
- Generated a number of new export-focused productivity chain project partnerships (implementation pending) modeled on the snow peas and rice experiences for other commodities: artichoke, red pepper, cut flowers, coffee.

Unanticipated events – commercial difficulties encountered by MEDA's original private sector partners – focused attention on weaknesses in MEDA's initial strategy (reviewed later in this report). As a result, this portion of the MG changed substantially from the original plan (DIP, Nov 2002) as MEDA changed tactics in mid-stream whilst remaining committed to achieving the overall objectives of this aspect of the MG. Some of the most significant lesson learned by MEDA in the BDS area (also reviewed later in this report) have stemmed from MG activities in Peru.

Project Context for Mozambique

This component of the MG has focused on the micro-finance sector. At the institutional level within MEDA, the MG has involved:

- Repositioning MEDA's MF activities in Mozambique away from implementing MF services directly in favour of playing a broader technical assistance role to strengthen the competence and capacity of the MFI industry generally, a move which is in line with MEDA's global MF product line strategy. This has included:
- Transitioning MEDA Mozambique's in-house credit program *Kulane ka Ntwananu* into a locally owned and operated financial institution; and,
- Design, testing and validation of new MF performance assessment tools (gender equality, minimizing adverse environmental impact of lending, impact on client income), new internal fraud prevention procedures and an improved MIS system.

In terms of outcomes in Mozambique, the MG has:

- Identified, negotiated and set in motion a merger solution for *Kulane* with a new *MicroBank* to be launched by mid-2005 by a consortia led by OI which will ensure the sustainability of *Kulane's* MF services;
- Supported MEDA's participation in the Task Force of the Bank of Mozambique which developed new regulations providing for the creation of *MicroBanks*, a new class of banks requiring lower levels of capitalization, and draft guidelines for the establishment of a credit bureau for MFIs; and,
- Enabled MEDA to, through provision of training and technical assistance, build the capacity and competence of MFIs by assisting these to adopt many leading industry practices, policies and management tools some of which MEDA has pioneered.

It has proven very challenging and time consuming for MEDA to secure a sustainable local institutional solution for Kulane. Though MEDA has succeeded, as in the case of MEDA's PML/BDS experiences in Peru, this experience has underscored and reinforced the strategic value of MEDA's shift in its' interventions, supported generally by the MG, to a focus on improving 'system level' performance within a sub-sector or industry. By focusing its' energies at the system level MEDA can better leverage its' limited resources and time to achieve larger impacts (i.e.: on the incomes of the productive poor) with less risk.

MG objectives remaining to be achieved

A no cost time extension of six months to project completion to 31st March 2005 was approved. The purpose of this time extension is to enable MEDA to complete specified project activities:

HEADQUARTERS

<i>Desired Outputs</i>	<i>Items to be Completed During Extension</i>
➤ The organizational structure of IED revised.	➤ Structure has been revised, but the final hiring and training of personnel will not be complete until 2005.
➤ Social impact indicators for investments in LIC entities.	➤ Social impact indicators have been devised but implementation and testing is a long process that will require more time and may go beyond the extension phase.

PERU

<i>Desired Outputs</i>	<i>Items to be Completed During Extension</i>
➤ Operational policies and procedures manual for developing a "Productive chain"	➤ Operational policy to be improved and translated into English
➤ Bring irrigation and other appropriate technologies to small farmers for production of high value crops for export. (Snow Peas)	➤ Need to further document the excellent achievements of this model and secure additional funding for expansion of scale.
➤ Improvements to the "Agro Monitor" MIS system for tracking rural productive chains (esp. for rice production)	➤ Need to further refine, document and translate the MIS system so that it is replicable in other projects in addition to rice.

MOZAMBIQUE

<i>Desired Outputs</i>	<i>Items to be Completed During Extension</i>
➤ Merger of Kulane credit institution with viable partner.	➤ Merger solution secured but transition will extend past September 2004 and into the early part of 2005.
➤ Test the integration of a loan for Insecticide Treated Mosquito Net (ITN) into regular loan cycle (for the prevention of Malaria)	➤ Government regulations on importation of ITNs were delayed, so this activity will require more time for completion.

Progress towards completing these activities is reported in sections 4, 5 and 6.

2. PROJECT METHODOLOGY

2.1 Summary of Project

To better serve the needs of the economically active poor, MEDA aspires to be a 'product and service leader' amongst its' peers. To achieve this, MEDA determined a) that it should *expand the scope of [its' IED] products and services mix* and b) that its' *core competency should be to develop, test and share new products and services*. This is an ongoing and long term process and the Matching Grant (MG) is intended to assist MEDA to take the key steps needed to equip itself to achieve this vision.

The overall goal of the MG project is to advance MEDA's international capacity in small business development with an emphasis on business development services (BDS), micro-enterprise credit, and agricultural commodity productivity chain and marketing programs. To achieve this, MG program objectives are divided into four main categories³: organizational development, technical intervention, partnership and sustainability. The DIP has evolved during the course of the project. This reflects two things: the nature of the institutional change process supported by this MG and MEDA's application of insights gained and lessons learned during the project.

Key activities have included: mapping out a business strategy for MEDA which redefined key IED activity areas into 'product lines' and re-aligned staff under these; strengthening technical competence in non-financial BDS and agricultural productivity chains areas; and, developing institutional capabilities in the areas of training, project monitoring, gender and other cross-cutting issues. The development of expertise in BDS is concentrated at headquarters (HQ), micro-credit programming is based in Mozambique, and agricultural productivity chain activities in Peru.

Additionally, the intent of the MG is that lessons learned will positively impact the entire organization as well as MEDA partners, reaching far beyond the original focus of intervention.

At HQ, there are two primary objectives. The first main objective is stated in the DIP as follows: "to improve the synergy between the International Economic Division's four departments to develop integrated and more effective services to MEDA's field partners and clients."⁴ This objective was based on the realization that 'like' activities had become fragmented across the IED Division's four (then existing) departments. In addition to productivity losses and lack of strategic focus, its' departments were increasingly finding themselves operating independently in the same markets, unable to fully leverage in-house expertise to optimize the quality of overall service delivery. The response in this area has focused on rethinking core business and restructuring institutionally-driven departments into service-focused, project-driven product lines. The old IED Divisional structure has been replaced by International Operations (IOPS), consisting of Micro Finance (MF) and Production and Marketing Linkages (PML), and Investment Fund Development (IFD), the latter serving both international and domestic operations.

The second main objective of HQ, a theme that runs throughout the DIP, is to strengthen organizational BDS capacity. In the original Program Description, this objective emphasizes the

³ "Matching Grant Program Revised Detailed Implementation Plan", November 2002.

⁴ *Ibid.* Section B5, Planning Matrix (pg. 8).

importance of drawing on MEDA's BDS experience to take its "BDS programming to the next level, combining new technologies, tools and innovative products and services for the benefit of the poor."⁵ The response in this area has consisted of a blend of complementary actions: critical review and analysis; documenting lessons learned and using these in internal training and external dissemination; professional development; participation in BDS networks and dialogues; and, applying new BDS capabilities to new projects development and in consultancy services. The overall thrust of project activities at HQ level has been to strengthen HQ's capacity to, in turn, more ably guide and equip field staff and project partners with the leadership, knowledge and technical skills needed to implement gender-sensitive, market-oriented microfinance and production-market linkages projects that yield sustainable gains for the poor.

In Peru, the project has largely focused on transitioning IOPS' BDS program there to a markets-based approach wherein actions aimed at assisting disadvantaged farmers focus on improving their capacity to participate in and leverage productivity chains rather than attempting to bypass market processes by creating parallel structures. Work in this area embraces recent BDS lessons learned by IOPS through this project, providing a 'template' of good market-based BDS practices that IOPS has begun applying in new projects in other countries.

In Mozambique, the project has focused primarily on moving the IOPS-managed MEDA's credit program, *Kulane ka Ntwananu*, onto an institutionally independent and sustainable footing that will continue serving the poor after the MEDA intervention is complete. After an intensive search to identify the best option for achieving this, the decision was made during the year to merge *Kulane* with OI's *MicroBank* initiative. In addition to advancing this merger, MEDA's MF involvement has also been sector-wide, through the Mozambique Microfinance Facility (MMF), which includes providing capacity support to MFIs, as well as legal and regulatory advice to the Bank of Mozambique. Activities have included: employee training; ongoing refinement of MF project operating policies, procedures and practices; improvements to monitoring, evaluative and impact assessment capabilities; design and pilot testing new MF products; advocacy and direct technical support to government for policy and regulatory reform to improve the national legal operating environment for MFIs; expert advice to government concerning the establishment of a credit bureau service; and, identification and implementation (underway) of a merger-based independent institutional arrangement.

Allowing for minor changes in direction have had to be made during project implementation, the improvement it has brought to IOPS' operations have met and exceeded senior management's expectations. Fundamental to this has been the IOPS/IFD restructuring process at HQ level. Realignment of previously departmentally 'fossilized' activities and practices in product lines has given IOPS/IFD management (now 'product line directors') the mandate, the opportunity and the resources they need to lead IOPS/IFD's now clearly focused areas of business. The next section describes the initial impact of these changes on IOPS/IFD's operations.

An extension of six months to the project completion data has been approved to enable a number of tasks to be completed. The revised project completion date is 31st March 2005. An independent, end-of-project evaluation aimed at assisting MEDA to identify new opportunities to continue to strengthen its' competencies and service capabilities will also be carried out during this period.

⁵ Attachment B: Program Description" in 2001 Matching Grants Program Award HFP-A-0-0-00020-00 "Credit and Small Business Development Program", September 30, 2001 (p. 12).

2.2 Overview of Accomplishments

In addition to presenting key accomplishments during Year Three, this portion of the report begins to reflect one some of the overall outcomes of the project.

Organizational development

Headquarters: restructuring + BDS and other skills/capacity building

Prior to the MG, the IED Division's four 'functionally defined' departments were increasingly engaged in the same subject areas (i.e.: microfinance, or production/market linkages) yet working independently, one department failing to leverage expertise resident in another. This trend called into the rationale for each department's 'being', made it difficult for MEDA's country offices and HQ to respond effectively to each others' and clients' needs, and confounded MEDA's clients and partners.

The MG-supported review process enabled MEDA to re-organize the IED Division's four departments into the three subject-focused product lines (identified above) and to improve institutional dynamics and performance under the resulting new IOPS/IFD structure.

Key gains include:

- HQ and field-level staff in each product line, now armed with clearly defined goals, strategies and work plans are better able to identify with, serve and respond to IOPS/IFD's and its' clients needs;
- The new focus on core areas of business provided by the product line orientation enables management within IOPS/IFD to more effectively marshal and deploy its resources and effort to greater strategic effect (i.e.: a field-based project manager can now be called upon to carry out a short term consultancy or facilitate a workshop);
- Activities with common themes (i.e.: large-scale MF projects, short term MF consulting) have been grouped and aligned this enabling IOPS/IFD's in-house expertise to be leveraged more effectively and bringing greater clarity for partners, donors and clients on 'what IOPS/IFD is and does';
- The product line approach is fostering a culture of learning and continuous improvement as previously poorly linked functions – project design and implementation, research and innovation, expert consulting, participation in external peer-to-peer dialogues, project evaluation, training and teaching and publishing – are meld in mutually reinforcing ways within each product line 'envelope';
- IOPS/IFD can now more easily ensure that the benefits of its' investments in staff professional development and broader knowledge-building will permeate the entire institution and flow to project partners (better bang for its' buck);
- The value of MEDA country offices to IOPS/IFD is now clearly defined by their new roles within product lines, this simplifying management - at both ends - of the relationship between HQ and MEDA's country offices; and,
- IOPS/IFD's resources are now more fully and effectively deployed to pursue and support MF and PML 'projects', traditionally a key area of activity and revenue flow for MEDA.

Peru:

The main focus of effort has been to successfully establish MEDA Peru's staff competencies in leading edge areas: productivity chains development PML practices, BDS and, most recently, MEDA's own markets-based best principles and practices in these areas. Filling a key staff vacancy and taking a substantial mid-course change in partnership strategy during the MG period in stride, a great deal has been accomplished in a short period. That said, more work is needed to transfer new competencies acquired to project partners.

Mozambique: transition Kulane to an independent self-sustaining institution

After investigating several options and failed preliminary negotiations with two prospective merger partners, a binding agreement has been reached to merge *Kulane* with OI's *MicroBank* initiative. Merger activities are well underway and should be completed by June 2005. At the national level, the MMF enjoyed substantial success during the year in assisting government to reformulate the national policy and regulatory frameworks governing MFIs and related support services (credit bureau functions). Progress made in this area bodes well for improving the operating environment for MFIs and future growth in this industry.

Technical Intervention

Headquarters: development and implementation of decision support systems

The Investment Fund Development (IFD) product line is testing its' Social Indicators Assessment tool against prospective new investments. The Micro Finance (MF) product line continues to upgrade and roll out its' Electronic Portfolio Analyst (EPA) MIS software for MFIs. Implementation has been completed at five MFIs and is underway in three additional programs (Tanzania, Nicaragua and Afghanistan). Through its' joint venture with Peru-based MEGA System, the PML product line is close to completing work on a new generation of its' BDS/ productivity chain monitoring software, Agro Monitor Plus, a simplified version of earlier versions. Preparations are well in hand to pilot test Agro Monitor Plus in three locations: Nicaragua, Tajikistan and Mozambique. As the MG draws to a close, HQ has satisfied technical intervention targets.

During this MG, MEDA has made significant progress towards achieving in gender equality. Gender issues are now incorporated across the board in IOPS/IFD programming and gender performance indicators have been developed and implemented. 67% of HQ staff is female as are many of IOPS' associate consultants and key members of IOPS' project management teams in Peru, Mozambique and IOPS' new projects in Tajikistan and Pakistan. There have been more women in management positions in the past three years than at any other time at MEDA. In Mozambique this past year, 77% of *Kulane's* group lending and 61% of its' individual lending was to women. Worldwide, MFI's assisted by IOPS in Year three served, on average, a client base that was 65% to 70% women. In Peru, over 60% of participants in the Snow Peas project at harvest time are women. MEDA's Gender Strategy Manual was completed and disseminated to all offices. A gender training workshop and gender integration guidelines for projects were also completed and are available for all of MEDA's offices and partners. MEDA's Gender Committee remains very active and expanded during the year to include representatives of MEDA's country and project offices around the world in an advisory capacity.

Peru:

During the year, PML successfully completed its' exit from the Agronegocios investment⁶ by taking up a majority ownership share in MEGA System, a move expected to help develop competitive markets for services. On the basis of field testing in Peru and desk-based assessment by Steve Rannekleiv and Nigel Motts (who joined PML staff at the beginning of August), MEDA's BDS monitoring tool, further improvements are being made to the beta version of Agro Monitor Plus by MEGA System, MEDA's IT partner in Peru. This newest version in the Agro Monitor product range is expected to be ready for release at the end of October 2004 and will be implemented in Nicaragua, Tajikistan and Mozambique.

⁶ This investment supported one player in a competitive market, a markets-distorting practice that PML took a policy position to, in future, avoid.

PML has also developed and is in the midst of applying the 'syndicated productive chain' concept. This methodology essentially brings together stakeholders having a common interest in financing farm production activities (input suppliers, buyers, credit agencies) to share lending risk. Preliminary results show significant benefits: lower perceived lending risk leading to more accurate lending decisions; lower actual lending risk (only a sufficient level of finance is supplied when needed); and, improved credit availability and more favourable credit terms for farmers. All sources of finance are managed together as a trust through an MFI. Agro Monitor is being used to generate the source data needed to create confidence and trust amongst the participants. Syndication is contributing to the integration of rural farm production activities with financial and business development services markets.

Mozambique:

The training goals of the matching grant program have been met. Staff continued to receive training and new internal controls aimed at minimizing fraud risk were put in place during the year as part of *Kulane's* transition plan. Credit officers and support staff benefited from training conducted by staff from headquarters and from local initiatives. The Operations Manager is working towards a degree in economics, the Credit Supervisor has obtained a diploma in management and accounting, while the accounting assistance and one of the female credit officers are busy with tertiary commercial education in their own time.

Partnership

Headquarters: capacity building of partners

Year Three has seen HQ continuing to carry out training activities to build competence at MEDA field office and MEDA-implemented project levels. Activities have spanned: gender (workshop modules and content), environmental impact assessment (MF survey tool), fraud risk management (MF) and market-based BDS principles and practices (workshops). Implementation of the new internal quarterly reporting procedure on project activities against key performance indicators is complete and in routine use by project managers in each product line.

Peru:

In line with its' emerging orientation towards structuring its' activities to reinforce and expand competitive services markets within productivity chains, MEDA Peru invested much time to research the dynamics of the snow peas sub-sector (i.e.: as part of rethinking PML's Snow Peas project which initially focused on one main partner). Witnessing the gains made through changes subsequently implemented by MEDA Peru (a shift in intervention focus towards reinforcing competition amongst service providers in the sub-sector), observers – other PVOs, other stakeholders and role players in the snow peas and similar high value produce sub-sectors – have begun to adopt similar practices.

Mozambique:

The formal Memorandum of Understanding (MOU) signed in September and the merger preparations now underway with OI signify the concluding chapter in IOPS' now successful search for a lasting institutional solution for *Kulane*. Collaboration with the Bank of Mozambique on policy and regulatory reform concerning governance of MFIs proved fruitful during the year, including a framework for establishment of national credit bureau services.

Sustainability

Headquarters:

The institutional transition at HQ level to the 'product line' orientation, implemented to enable MEDA to better serve its' clients and partners, is beginning to have a positive impact on IOPS' financial performance. A loose indicator of productivity gain, net revenues attributable to core business activities increased from FY03 to FY04 for the PML and MF product lines by 45% and 21% respectively.⁷

The move to bring staff with similar expertise together into each product line is paying off in the form of quickly emerging team relationships and, through this, more effective sharing and diffusion of skills, perspectives and knowledge on which MEDA ultimately depends to generate new business.

Peru:

MEDA Peru has successfully parlayed its' snow peas and rice productivity chains experiences over the last several years into an emerging reputation as a knowledgeable and sought after facilitator of productivity chain improvement processes. MEDA Peru is successfully leveraging Agro Monitor software supplied by MEGA System. It has also shown strong progress supplying and installing Agro Monitor for an increasing variety of clients independently of MEDA Peru. Coupled with a commitment to continuing to improve staff competencies in BDS, these trends are placing MEDA Peru on a solid footing on which to build a coherent portfolio of activities for the PML product line.

Mozambique:

In September 2004, MEDA took a significant step forward with the signing of the MOU between MEDA and the Opportunity International Network. OI is in the process of launching a new *MicroBank* in Mozambique and is currently waits issuing of its' approved banking license from the Central Bank of Mozambique, now expected in December. The intention is that *Kulane ka Ntwananu* will merge into the new *MicroBank*. Steps were taken to ensure a high standard of continuing lending operations and prudent risk management in the MMF program in anticipation of this. The major shareholders in the new bank are Opportunity Transformation Investments, Oikocredit, OI, the Bank of Malawi and CARE International. The current micro-credit operations of CARE Mozambique in the central provinces of Sofala, Manica and Zambezia, will also be merged into the new bank. This consolidation of credit programs in Mozambique is inevitable as it is a difficult country in which to achieve sustainability and autonomy without significant capital investment and a sound management and governance structure. The costs involved in setting up these structures are very high and by pooling resources and expertise, institutions will be able to build viable and profitable institutions.

2.3 Variances from DIP During Year Three

Headquarters

No significant variances from the DIP during Year Three.

Peru

No significant variances from the DIP during Year Three.

⁷ Grants, contracts and professional fees earned less direct program expenses. Charitable contributions, direct expenses and allocated indirect costs excluded.

Mozambique

There have been three main variances. First, *Kulane's* performance continued below target: there have been fewer than the targeted number of active clients; and, stemming from this, an actual rate of self-sufficiency below what has been expected.

A decline in client numbers has undermined achievement of sustainability. *Kulane* is facing stiff competition from other MFIs offering savings products (which *Kulane* is prohibited from doing) that *Kulane's* target client market seems to prefer. During the past year, there has been a decline of almost 35% in the number of active clients in *Kulane*. In the exit interviews, many of the clients also cited the difficulty to repay credit as a major reason for leaving the program. Another important contributor to the decline in client numbers were that many of the clients were not offered a repeat loan due to a poor credit history. However, the core group of clients retained by the program includes many people who have been with the program for several years and have grown their businesses considerably.

During the initial two years, the credit program showed improvements in operational self-sufficiency. However, even though MEDA Mozambique has focused on keeping expenses to a minimum, it has become increasingly difficult to attain financial self-sufficiency and to meet the targets set. By September 2004, the program only managed to cover 51% of its operational costs. Despite this, the financial self-sufficiency of *Kulane ka Ntwananu* is better than what can be expected due to stringent controls on expenditures and the reassignment of staff.

Second, although linkages for business development training to clients have been researched, there have been no clients that have received this training. The costs are high and the margins in many of the clients' businesses are very low due to the competition among the clients who are mainly traders.

Finally, delinquency rates have been high, and clients with poor repayment histories have been denied repeat loans, leading to a higher drop-out rate, than planned.

3. MONITORING AND EVALUATION

3.1 Changes to Monitoring and Evaluation Plan

Discussed in last year's annual report, a number of changes were made in the DIP and to specific targets for Year Three of the project in light of changing conditions in the project's external operating environment.

Headquarters:

To enable product line managers and senior management to monitor the performance of projects and as a work planning aid for project managers, MEDA implemented a simple, one-page quarterly report in table format during the year to support the annual ARPO process. Under the new quarterly report, project managers report on project outputs against pre-determined performance indicators, indicate variances and provide explanations for such variances. This is making it easier to identify areas of underperformance and to respond to these in a timely manner.

Peru:

Closer monitoring and supervision by PML at headquarters of MEDA Peru's PML programming strategy will be initiated and will extend beyond the MG completion date.

Mozambique:

The changes in the revised DIP focus on incorporating the industry-wide initiatives that MEDA is involved with through MMF; in particular, those areas that will influence the merged entity/*Kulane's* potential for future sustainability. The following results or activities are expected during the last period of the grant: 1) A Project Working Group for the creation of a Credit Bureau will be formed and the tender process for the equipment will have been initiated. 2) Capital grants/loans will be available for testing rural credit products; 3) At least 3 Bulletins will be distributed on topics of interest for the Microfinance sector

3.2 End of Project Final Evaluation

In light of the time extension, it has been agreed that a final project report will be provided to USAID in addition to this Year Three annual report.

Planning for the End of Project (EOP) final evaluation is underway. An EOP evaluation plan has been drawn up and shared with USAID, an external evaluation consultant has been identified and terms of reference for this work are being prepared.

The EOP evaluation plan includes provision for the consultant to consider the implications and impact of MEDA's newly articulated market-led BDS design principles and learnings on MEDA's programs and activities. As part of this, the evaluation consultant will review relevant summary documentation produced by PML and observe a proposed telephone conference call discussion with USAID on this topic. The EOP evaluation will commence in December 2004 and be completed in late January 2005.

4. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY - PERU

See **Appendix One** for tabular detail on objectives, targets and results.

4.1 Description

Specific Outputs Achieved

Organizational Development

Strengthen partners' organizational capacity so as to deliver effective services to farmers

The previous annual report discussed MEDA's change in strategy from key partnerships with just one dominant player in a productivity chain in favour of engaging all major players. This both reduces MEDA's risks and places the focus on ensuring that competitive forces are leveraged to better ensure that farmers can access needed services at lower cost (or better prices).⁸ MEDA successfully exited from its' Agronegocios partnership (rice marketing company) and broadened its' partnership with PHISAC (hydroponics company; snow peas) to include other partners in these productivity chains. MEDA's revised role brings stakeholders together to identify opportunities to improve and streamline processes in the productivity chain, supporting their efforts to implement identified plans and monitoring progress made.

Also introduced in the previous annual report, part of MEDA's exit from its' partnership with Agronegocios involved assuming proprietary rights for Agro Monitor, a database software application aimed at improving productivity chain performance. MEDA holds a 52% ownership share of MEGA System, the Peruvian company through which commercialization of Agro Monitor is now being pursued. Progress made during the year on this area as included:

- A business plan for MEGA System has been finalized and implemented and approximately 40 installations of Agro Monitor have been installed thus far in Peru;
- MEGA System has nearly completed software engineering work on a third generation of Agro Monitor. Called 'Agro Monitor Plus', a stripped down version of Agro Monitor, this product is easier to install, configure and use with less external IT support;
- MEGA System produced an English language multimedia introductory presentation for the suite of three Agro Monitor products as well as a user manual in Spanish and English; and,
- MEDA has begun introducing Agro Monitor (Plus) in Nicaragua, Tajikistan and – with discussions underway with prospective partners – expects to soon do so in Mozambique.

Further information on Agro Monitor is provided in the ***Technical Intervention*** section.

As part of its productivity chain approach, MEDA Peru has continued to work with high value produce export companies, initially PHISAC and now INAGRO SUR, to improve their ability to supply, buy from and work directly with small producers. For a variety of reasons, larger exporters, for example, are often reluctant to deal directly with many small suppliers (farmers). Administratively, they may not be capable of subcontracting, tracking and managing a large number of independent relationships with small volume supplying farmers. In this context, MEDA is working with the client to apply Agro Monitor to create this capacity. Amongst a number of new business functionalities provided, the application includes:

- tracking of all the inputs provided to the farmers and maintaining 'supplier accounts';
- reflecting consolidated supplier account balances on the corporate income/expense ledger;
- scheduling and logistics management in relation to supplying farmers with inputs and receiving product deliveries; and,

⁸ Any reduction in competition in the productivity chain may adversely affect the farmers MEDA aims to benefit.

- maintaining descriptive data on individual small farm suppliers – i.e.: name, location, production area, projected yield, planting dates, etc.

Develop capacity of MEDA Peru to manage BDS programs following industry best practices

MEDA Peru has significantly strengthened and deepened its' technical expertise in the areas of agricultural productivity chains, agribusiness and BDS during the course of this MG. During the year, senior personnel received BDS training in Lima from Swiss Contact and participated in PML's BDS best practices workshop in Pennsylvania. The latter, as related elsewhere in this report, reflects MEDA's efforts to adopt a more markets-based approach to designing and managing BDS interventions. Some of the principles contained in this new approach are drawn from MEDA Peru's experiences and lessons learned in the early stages of this MG.

More importantly, MEDA Peru continues to play a leading role (in MEDA) to develop and test MEDA's 'productivity chain' operating practices. This is an ongoing incremental, 'trial and learn' process using various PML projects in which MEDA Peru is engaged as 'test beds'. Stemming from these experiences, MEDA Peru has most recently developed the concept of a 'syndicated productivity chain' in which lending burdens are shared amongst input suppliers, credit agencies and commodity buyers. In some respects, MEDA Peru is setting industry best practices.

Staff has completed courses in accounting, finance, financial project evaluation and taxation.

MEDA Peru has made substantial progress towards applying the many insights gained from these efforts to new PML/BDS projects:

- Financing for a proposal by MEDA Peru to scale up the hydroponics-based Snow Peas productivity chain is being pursued, this currently dependent on prospective new exporters securing new working capital finance;
- Two new productivity chains projects, PRA Tarapoto and PRA Pucallpa, have been funded and initiated. These use Agro Monitor as part of broader technical assistance by MEDA Peru, to link buyers, suppliers of financial and non-financial services and producers. MEDA Peru provides business guidelines and technical assistance where needed; and,
- Four new, export-focused productivity chains partnership proposals (funding decisions pending), modeled on the snow peas and rice experiences, have been developed with various project partners this past year. The high value commodities involved are: artichoke, red pepper, cut flowers and coffee.

Whilst a lengthy gestation period is needed to bring new initiatives on stream, MEDA Peru has had a productive year. It is quickly gaining a good reputation for its' productivity chains work and is well positioned to replicate and extend its' record in this area.

These developments underscore the need for MEDA Peru to quickly complete work currently underway to document its' productivity chains experiences and prepare a Spanish (and English) language Productivity Chain manual (for practitioners) – slated to be completed by the end of the MG.

Technical Intervention

Implement a market information and monitoring system to track farmer productivity and financial projections

MEGA System: MEGA System is the company that has developed and owns the 'Agro Monitor' software package. As majority shareholder, MEDA plays an important role in the direction of the company. Agro Monitor is an MIS tool for monitoring the production and business cycle in commodity productivity chains. It enables producers, credit providers, input suppliers, and marketing agents to collaborate for reduced risk and increased profits. Field testing of Agro Monitor by the local financial institution Caja Rural San Martin as part of the PRA/Chemonics rice productivity chain project in Tarapoto continued to yield positive results. In this case, Agro Monitor provided the MFI with critical data about farm productivity to enable it to make informed credit decisions and extend its' credit services to farmers in a rural area which would have been otherwise too costly for the MFI to serve. A further contract with Chemonics PRA division led to the installation of thirty-nine (39) Agro Monitor software systems with over 16,000 farmers tracked and 12 agricultural products monitored. Although much remains to be done to refine Agro Monitor, the encouraging results of these trials bode well for Agro Monitor's future.

During the year, MEDA commissioned Mega System to produce Agro Monitor Plus, a slimmed down version of Agro Monitor. Plus is easier for non-IT personnel to understand and use. The Plus product has been incorporated into new PML projects in Nicaragua and Tajikistan and will be piloted in new opportunities now being sought in Mozambique.

It will take some time for MEGA System to capture the full commercial potential of Agro Monitor. The strong progress of MEGA System in Peru is substantially dependent on serving the limited domestic PVO market. Future revenue growth will increasingly turn on MEGA System's ability to simplify and fine tune Agro Monitor products for ease of use to capture a clientele in the private sector. Though decisions have yet to be taken regarding adjustments to MEGA System's current marketing strategy, this will hinge on several factors: a) Agro Monitor products must satisfy 'high value' needs of key stakeholders; b) the potential market demand for each identifiable stakeholder (i.e.: MFIs, commodity buyers, input suppliers, PML-type NGOs, donors, etc) must be sufficient to support continued product development; and c) continued product development must be based on an ever more precise and complete understanding of the concerns and needs of each 'client' category. PML has begun drawing upon the expertise of its' key staff to begin exploring future directions and options for product configuration with this in mind.

Because of its involvement with Agro Monitor project, MEDA Peru is developing a strong internal capacity in the area of "Productive Chain Lending Methodology". This methodology brings together stakeholders having a common interest in financing farm production activities (input suppliers, buyers, credit agencies). Agro Monitor manages shared data which stakeholders individually utilize to inform their respective business activities. In order to capture the potential advantages of Agro Monitor, key stakeholders need to 'think differently' about the nature of their relationships to each other in the productivity chain. MEDA Peru is quickly gaining experience in how to facilitate stakeholder behavior change in this area.

Partnership

Partnership with high value produce marketing companies to pilot and test a sustainable model to bring high-tech irrigation technology to small-scale farming

Snow Peas: Over the past year, this project continued to provide technical assistance on production by training small farmers in production of high value fresh produce for export using hydroponics technology, and linking these farmers with exporters that handle the marketing. Productivity gains and farmer participation levels reported previously were sustained during the year. Over the life of the MG, farmer productivity gains have averaged 120% (compared to 25%

target). Product prices this year are approximately 6% higher than last year and increases to producer incomes should keep pace with this. In addition to snow peas, the hydroponics production technology introduced by MEDA is now also being used to produce baby corn and sugar snaps.

High value produce marketing partnerships: Although the MG set an EOP target of three partnerships in this area, MEDA Peru changed its PML strategy over the last year, this limiting MEDA's record to two partnerships (PHISAC and INAGRO). It no longer limits its' activities to the scope of partnerships with key individual marketing companies (to supply marketing services to farmers). Instead, MEDA now applies its' broader productivity chain methods and focuses on developing the supply of a broader range of services from a variety of competing businesses needed by small-scale producers to enable them to respond to more profitable export opportunities. That said, the success of MEDA's snow peas project is leading to new opportunities for MEDA to partner with groups of export companies, input suppliers and farmers (i.e.: in productivity chains) in the northern Peru. Several formal proposals, responding to opportunities arising from recent new trade agreements⁹, are now under consideration concerning new products including artichokes, asparagus, paprika and coffee.

Sustainability

Replication of best practices in new program delivery and partnership

As indicated above, MEDA Peru is moving quickly to replicate its' successful snow peas productivity chain experience. MEDA Peru is pursuing seven new opportunities, exceeding by two the MG target at EOP. As with snow peas, prospective new initiatives all focus on linking farmers to export markets for high value products by working with competing exporters:

INTIPA – exports snow peas, around 400 hectares in the highland

DAMPER – exports artichokes, around 1,000 hectares; area: Highland and North Coast

CTTU – exports artichokes, around 100 hectares; area: North Coast

CEDEPAS – give technical assistance to small farmers producers of Red Pepper, around 70 hectares; area: North Coast

Roots Perú – exports flowers, around 500 hectares; area: Highlands

Rain Forest – exports Coffee, around 8,587 hectares; area: North East Jungle

San Fernando – purchase and production of corn for animal feeding, around 1,000 hectares; area: North East Jungle

Clearly, these developments will go along way towards securing MEDA Peru's position and demand for its' services in Peru.

Beyond this, MEDA Peru is involved in MEGA System and MEDA's efforts to refine and introduce Agro Monitor products to new markets through MEDA's programs in other countries – Nicaragua, Tajikistan and Mozambique. This effort is being substantially informed by MEDA Peru's pilot project experiences with Agro Monitor in Peru in three types of applications: socio-economic impact assessment; operational support for productivity chain business processes; and, syndicated financial services to farmers.

⁹ ATPDEA - Andean Tariff Preferences and Drug Eradication, export incentive through import tariff exemption by the USA running until 31st December 2006; TLC - Tratado de Libre Comercio, free trade agreement now under negotiation between Peru, Colombia, Ecuador and the USA.

4.2 Comparison of Actual Accomplishments to DIP

Actual accomplishments during the year and at EOP meet and in some cases substantially exceed targets with three exceptions. Only two of three originally planned partnerships with snow peas export marketing companies have been secured, the reasons for this – application of new BDS lessons learned – explained in the following section. Work is still in progress on completing the operational policies and procedures manual for practitioners concerning how to develop a productivity chain. Third, the two ‘lessons learned’ case studies have not yet been completed. The latter two targets will be satisfied by EOP.

4.3 Relationship with Local Implementation Partners

The forgoing narrative provides a general overview of MEDA Peru’s relationships with project implementation partners. The key change in approach has been to shift from partnering with a single, dominant commercial player (i.e.: export firm) in favour of a multi-stakeholder partnership approach involving groups of stakeholders in a given productivity chain. This shift in tactics has significant key advantages: it reinforces rather than undermines competition (i.e.: amongst service providers); it encourages all parties concerned to find common grounds for improving the dynamics of the productivity chain to capture additional benefits for all; gives MEDA the flexibility to better ensure that all conditions that must be satisfied (i.e.: to achieve the goal of linking small scale farmers to profitable export opportunities) can, in fact, be satisfied; and, reduces MEDA’s and small scale farmers’ exposure to risk (i.e.: reliance on a single export intermediary has proven risky).

MEDA Peru’s work on syndicated productivity chains exemplifies this approach and its’ advantages. An example of this, MEDA Peru is working with marketing agents (the rice mills), a micro-finance institution (Caja Rural San Martin), inputs providers, producers (farmers) and Mega System (operational information support service using Agro Monitor) to – in business parlance – create new value propositions in the rice production to market productivity chain. This essentially entails bringing stakeholders together to identify, assess, find and implement solutions for constraints, inefficiencies and blockages in the productivity chain to improve productivity chain performance in relation to factors of concern in the market place: forward contracting to secure future supply of product; meeting product quality expectations; meeting product price points; on time product deliveries. MEDA Peru’s role is to facilitate the analytical process, link stakeholders, assist them to streamline processes and to monitor their progress. Improvements occur incrementally and are based on iterative analysis of operational data routinely captured by Agro Monitor.

The syndication aspect involves sharing of pooled financial risk on the input side. Shared projections of farm production and financing need derived from Agro Monitor enables input suppliers, commodity buyers and the MFI to integrate their lending activities, eliminate over-lending, reduce individual lending risks and the effective cost of borrowing (borne by farmers) and formalize and simplify (through common agreements with farmers) debt repayment procedures.

The impacts of this initiative include: increased production quality and quantity, making lending to small farmers feasible, creating greater cohesion in the industry, influencing local lending rates, allowing marketing agents and input providers to pre-plan inventories, improved and validated the Agro Monitor software package, increased sales and earnings of all stakeholders, and improved quality of life for participating farmers (higher incomes permit improved dietary intake, purchase of medicines, better child education, etc).

To help make this possible, MEDA Peru and MEDA headquarters have worked closely together to establish MEGA System as a viable software product development company. Management advisory services provided during the MG have included: provision of strategic guidance, assistance to formulate a business plan and marketing strategy, financial monitoring and mentoring that has ensured it remains focused on achieving core objectives. At the technical level, MEDA Peru has: been instrumental in enabling MEGA System to gain access to opportunities to pilot Agro Monitor, provided invaluable guidance on product development needs from the BDS and productivity chains perspectives, and critiqued and recommended product refinements from a user perspective. MEGA System's business is growing rapidly in Peru – over 40 copies of Agro Monitor have so far been installed, Agro Monitor Plus (a third generation product) has been developed using international standards, user guides are available in Spanish and English, and it's order book includes expected new system sales to FONCODES and Entorno.

5. REVIEW AND ANALYSIS OF PROJECT RESULTS BY COUNTRY – MOZAMBIQUE

See **Appendix One** for tabular detail on objectives, targets and results.

5.1 Description

Specific Outputs Achieved

Organizational Development

Improve strategic management practices through developing an institutional and governance structure

The goal of the program in Mozambique is to transition the *Kulane ka Ntwananu (Kulane)* into a locally owned and operated financial institution. Legislation in Mozambique does not allow microfinance institutions to collect savings or capture deposits for on-lending purposes, unless they are registered as a commercial bank or credit cooperative. The minimum capital for a commercial bank dedicated to Microfinance (MF), is just over US\$1 million and for the new *MicroBank* the proposed minimum capital requirement will be about US\$500,000. It has proven more difficult than envisaged for the MMF program to accumulate this kind of equity capital as an independent entity and this has led to a search for a partnership solution.

After a lengthy period of investigation of legal and other considerations, it was decided, in September 2003, that the preferred option for sustaining the *Kulane* program (staff and clients) would be a merger with an existing microfinance institution. Several institutions operating in Mozambique were first considered and a Letter of Intent was signed with the Fundo de Crédito Comunitária (FCC), the micro-credit project of World Relief Corporation in Mozambique. World Relief in Mozambique however decided not to proceed with the intended merger due to various internal issues as well as restructuring at the WRC headquarters that would not allow the merger happen for some time.

After the unexpected breakdown in the negotiation with FCC, MEDA resumed its' investigation other potential partners in the NGO-microfinance field. In May/June 2004, MEDA contracted a consultant to do a joint viability study for a potential merger of the *Kulane* program with the Group Guarantee Loans and Savings project of Save the Children in Mozambique. While the consultant's report highlighted several potential synergies that could benefit a merger of the two programs, it failed to make a sufficiently strong case for such a merger to be viable in the medium to longer term. The major challenges that such a merger would pose is finding strong enough local management and governance for the merged institution and funding to assist the new entity to reach full operational and financial viability.

These issues led MEDA to again evaluate the options it had and ultimately decided that the best possible option in terms of ownership, governance, management and client service will be the proposal by OI to merge *Kulane* into its proposed new microfinance bank. There are strong synergies between the overall mission and values of MEDA and OI and the staff and clients of *Kulane* will have the opportunity to become part of an institution that will offer a wider range of products for clients as well as opportunities for promotion for the staff.

OI is planning to establish a commercial microfinance bank servicing the entrepreneurial and under-served poor of Mozambique. The main objectives are as follows:

- To establish a commercial bank focused on microfinance
- To offer savings, credit and other financial products to the economically active poor
- To expand banking services to rural and underserved areas through an innovative "mobile branch" system as an extension of each branch that is established

In pursuing these objectives, the new bank will not only strive for profit or shareholder value but also strive to contribute to the Government of Mozambique's economic development policy. The new bank is projecting to reach 40,000-50,000 clients, build a deposit base of MZM 180 billion, operate profitably and earn a respectable return by its fifth year of operation.

Increase organizational learning to enhance capacity to increase client demand

During the past year, *Kulane's* client retention rate has been very poor, with many clients exiting the program. The average client drop-out rate per cycle during the year, has been almost 35%. Most of the exit surveys show that clients tend to leave the program because they do not want the burden of further debt (*clients say they want to "rest"*) and there were quite a large percentage of clients who were denied access to repeat loans because of a poor credit record and considerable repayment issues.

During the last quarter of 2003 (FY04) MEDA conducted a survey in 3 of the main markets of Maputo to determine the demand amongst the market traders for credit, and to better understand what kind of credit these traders were interested in. *Kulane* provides loans in all the markets where the survey was conducted. The survey results show that a large percentage of the traders questioned did not have a loan (93.9%) and many of those did not want a loan (43.6%), or thought they could not get a loan (39.3%). 11% of the traders said they did not need a loan because they had what they needed for their businesses. When the traders were asked whether they would like a loan, only 35% confirmed they would. When asked where they get money from for their businesses, 43.6% responded that they received assistance from family and friends and 26.7% participate in the local ROSCA (*Xitique*). One of the main reasons for traders not wanting a loan was because they felt they could not afford it since their businesses were performing rather poorly.

Improve financial management through stronger and better skilled staff

MEDA Mozambique provides monthly financial statements, portfolio reports and financial ratios to MEDA in Waterloo, Canada as well as quarterly reports as per the format established by Headquarters.

Kulane staff has completed training in advanced financial modeling and ratio analysis.

Improve Human Resource Management

MEDA Mozambique has continued to provide contributions to the ARPO (Annual Review and Plan of Operations) process and to submit associated quarterly project progress reports in line with procedures established by MEDA headquarters. Staffing at MEDA Mozambique is now project-based. A new MMF project manager has been hired to replace the incumbent who has accepted a position with OI (and will be involved in its' new *Microbank* venture). Staff retention at *Kulane* is 79%. Most *Kulane* staff members are expected to accept new positions in IO's *MicroBank* as part of the merger process.

Technical Interventions

Increase ability to detect fraudulent practices through new processes

Fraud perpetrated by credit officers plague all micro-credit programs and *Kulane* again experienced two incidences of credit officer fraud during the year. Although both cases were detected at an early stage, the one case amounted to a total of just over US\$2,000 with evidence of collusion between the credit officer and his clients. Legal steps were taken against the staff person and his family agreed to repay the amount owing to prevent a prison sentence. The amount in the other case was very small (less than US\$100) and both the staff members were dismissed. These staff people were not replaced in an effort to curb expenses due to the decline in client numbers. The credit supervisor has taken on a portfolio of clients, while the program manager performs many of the duties a supervisor would do in normal circumstances.

Improve business management capacity amongst clients

The average initial loan size has increased by more than 30% for the individual loan clients who had received repeat loans. This increase is dependant on the improved equity base in the clients' business and shows that clients who have a strong entrepreneurial spirit have been able to significantly grow their businesses over a period.

Improve staff capacity through training

With MEDA's encouragement, the Program Operations Manager for *Kulane* is studying for a degree in finance and administration on a part-time basis and has demonstrated good capacity to integrate his newly acquired skills in management in the program. The credit supervisor also recently completed a Diploma course in Accounting and Management and has similarly demonstrated increased capacity in decision making. The staff at *Kulane* is solely responsible for the day-to-day running of the program with minimal technical input by the Country Manager.

Through MEDA's microfinance sector support project, the Mozambique Microfinance Facility (MMF)¹⁰, staff from *Kulane* has been able to attend workshops on Financial Ratio Analysis and Human Resource Management. Human Resource issues are complex, and have a significant affect on the ability of MFIs in Mozambique to achieve self-sufficiency (very high costs) and consistently maintain high-quality portfolios. More generally, MEDA Mozambique has taken steps to better understand factors that affect self-sufficiency. It carried out a study in 2003, which included input from *Kulane*, to examine the challenges that face human resource management in Mozambican MFIs. The study identified the following main issues: 1) the low levels of education, skills and experience in the labour market 2) qualified candidates for positions in MFIs want higher remuneration than what is standard for MFIs; 3) the inability to delegate as needed, due to this low level of skills and experience; 4) the complex and challenging task of formalizing and standardizing human resource systems; 5) managing the high cost of staff; and 6) the Mozambican Labour Law in which the rights of employees encroach on those of the employers and the legal restrictions managers face when trying to make human resource decisions in the interest of the institution.

Partnerships

In addition to the partnership of MEDA with its own program in Mozambique, *Kulane ka Ntwananu*, other partnerships with the microfinance, NGO and public sector in Mozambique has been built, particularly through the MMF.

¹⁰ MMF is a CIDA funded 5 year, \$Cdn 4.7 million project (started in 2000) which provides capacity building/technical support to 6 MFIs at present and technical support to the government in the areas of policy development and development of microfinance regulations. In addition, the development of a credit bureau and grant/capital fund is expected. The project is managed by MEDA and implemented through a joint venture with DevPar Financial Consultants, a Canadian private sector consulting company.

Establish innovative partnerships for new product development in mosquito treated bednets

Kulane has continued promoting the sale of Insecticide Treated Mosquito Nets (ITNs), but was unable to reach the goal of 25% of the clients purchasing nets. While a line of credit is available for clients who wish to purchase the nets, many clients prefer not to make use of this because of the added interest burden of using credit in this manner.

Interestingly, the importer with whom MEDA has been collaborating to make the ITNs available, reports a strong increase in business with sales increasing more than 300%. He has established 3 kiosks in various parts of Maputo city, and attributes much of his success to the assistance MEDA has provided in marketing materials and promotion through the *Kulane* program.

Although discussion with a South African mining company which employs large numbers of Mozambicans had progressed, the loan program to retrenched employees never realized due to most of the potential beneficiaries living in geographic areas outside of the Maputo city and suburban areas in which *Kulane* operates.

Establish new partnerships to provide start-up credit to retrenched or formally state owned employees

MEDA Mozambique concluded an agreement with the NGO HelpAge International, to assist people in their target group (aged or care-givers for senior citizens) in receiving a loan for start-up businesses. HelpAge will co-guarantee these loans for at least two loan cycles and their animators will cooperate with the *Kulane* credit officers to follow-up on loan repayments.

To date only 5 loans have been made to this target group. There were many more applications, but clients resisted once they realized the responsibility of repaying a loan that carries interest. Many of the target group of HelpAge are destitute aged people who need social assistance and cannot afford to pay a loan or no longer have the capacity to manage a business that will generate enough profit to survive and repay credit.

Achieving sustainability

Form a strong, sustainable credit institution. Develop new product lines. Provide high quality loan products to an expanding client base.

The historical focus on raising the internal level of performance to achieve operating self-sufficiency, attract equity investment and achieve independent legal status has been eclipsed by the search for a merger partner as the solution to sustainability. Reaching this goal now depends, firstly, on completing the agreed-to merger of *Kulane* with OI's MF bank and, secondly, to some extent on a needed upturn in the overall market demand for MF banking services (weakened MF demand discussed below). The merger and structuring of the MF bank are well in hand and should be completed in June 2005.

During the initial two years, the credit program showed improvements in operational self-sufficiency. However, even though MEDA Mozambique has focused on keeping expenses to a minimum, it has become increasingly difficult to attain financial self-sufficiency and to meet the targets set. By September 2004, the program only managed to cover 51% of its operational costs. One of the major constraints to sustainability that the program is facing is the decline in client numbers. Competition is high and it may be that clients prefer the microfinance institutions that can offer a wider range of financial services, including savings services. During the past year, there has been a decline of almost 35% in the number of active clients in *Kulane*. In the exit interviews, many of the clients cited the difficulty to repay credit as the main reason for

leaving the program. Another important contributor to the decline in client numbers were that many of the clients were not offered a repeat loan due to a poor credit history.

In recent months, the sustainability of the program has been negatively affected by the weakening of the US Dollar. Where the program traditionally has tried to keep its cash reserves in dollars, this has now led to fairly large monthly exchange rate losses when the dollar-based accounts are revalued for month end financial reporting. These costs are added to the operational expenses for the period.

Stemming largely from the adverse consequences of the surging value of the South African Rand on demand for MF services (discussed below), *Kulane's* client numbers show a significant decrease over the past year with only 27.75% (508) of the target (1,831 active clients) being achieved. The financial self-sufficiency ratio for the program as of 30 September 2004 was 51% as opposed to a target of 80%. This trend is also partially explained by a moratorium placed on issuing loans to new clients by *Kulane* management in August 2004 when merger talks began first with Save the Children, and later, with OI: loan portfolio attrition is no longer being offset by new lending.

Fulfillment of these objectives now firmly depends on bringing the merger with OI's MF bank to a successful conclusion.

Contribute to the advancement of the microfinance sector

Difficulties which MEDA has encountered in pursuing and achieving sustainability for *Kulane* have helped to inform its' wider activities at the MFI system level. It has been working closely with the Bank of Mozambique and the Informal Working Group (of MF practitioners) in the area of legislation and regulation for microfinance over the last 3 years. In May 2004, the revision to the Law for Financial Institutions was approved by Parliament and promulgated by the President of Mozambique in July. Key changes include adding a new institution type called *MicroBanks*, which will allow microfinance institutions to transform into deposit-taking institutions with a reduced minimum capital requirement. MEDA was part of a Task Force established by the Bank of Mozambique to draft the regulations that will govern the *MicroBanks*.

In addition, as over-indebtedness is a significant issue in Maputo, MEDA is promoting the development of a Credit Bureau for both regulated and non-regulated MFIs. Through access to pooled credit worthiness of prospective clients, access to Credit Bureau services will help MFIs operating in the larger urban centers to streamline loan approval processes, reduce lending costs and to avoid over-indebtedness by individual borrowers.

Further to these initiatives, MEDA plans to work with the Banking Training Institute to include best practices in microfinance in the Institute's curriculum and to train trainers to deliver the modules for students. It is hoped that these efforts will contribute towards a larger cadre of trained professionals for the microfinance sector and, in so doing, overcome the constraints in the human resource capacity that exists.

Effect on the Target Group by Gender

Kulane ka Ntwananu services female clients in the urban and peri-urban areas of Maputo. As of the end of September 2004, 189 clients had credit in group loans and 77% of these clients were women. Women prefer to participate in groups since this does not require them to have a guarantor or pledge household assets as a guarantee. Women also tend to work better in groups than do men. At the same time 319 clients had individual loans with *Kulane*, of which 61% were owned and operated by women.

Problems Encountered

Inflationary trends, first reported on last year, continued to prevail in the broader economy and continued to constrain growth in MF borrowing demand. Weakening currency value against a charging South African Rand has increased the cost of consumption and productive goods eroding purchasing power and liquidity at household and micro-enterprise levels. Coupled with chronically high unemployment, eroding consumer purchasing power and static incomes had induced household MF clients to retire debt and not renew. In a similar manner, reduced consumer spending has slowed inventory turnover and dampened micro-enterprise MF demand. Total demand for MF has been, at best, static and may have been in decline during the period.

At the same time, competition from other MF service providers has continued to intensify in Maputo. Tchuma, a credit cooperative, had 6,007 clients at the end of June 2004 (up from 5,896 nine months earlier) and the Novo Banco, the commercial MF bank increased its' client base by over 1100 to 9,921 clients over the same period. Socremo, another MFI also operating in Maputo, had 5,338 clients at the end of June. Socremo is also legally structured as an MF bank. These institutions offer savings products that confer a considerable competitive advantage over *Kulane* whose limiting legal structure prevents it from offering a savings product to the market.

Impact on Local Institutions, Policy and People outside the Project:

The program manager of *Kulane* continues to be actively involved in the Informal Working Group (IWG) for Microfinance in Mozambique which meets monthly to discuss various issues pertaining to microfinance in Mozambique.

The MMF has worked closely with the IWG in advocacy with the Bank of Mozambique and the Ministry of Agriculture and Rural Development (MADER) regarding issues pertaining to the microfinance sector. Through its' participation on the Task Force of the Bank of Mozambique, MMF has also played a significant role in formulating regulations for the recently created *MicroBanks* and for the establishment of a credit bureau for microfinance institutions.

Unintended Effects

None observed.

5.2 Comparison of Actual Accomplishments to DIP

There have been a lower than targeted number of active clients with a rate of self-sufficiency below what has been targeted. The principle causes for not meeting the targets set are: 1) intensifying competition; 2) client drop-out due to inability to service debt; and, since August, a self-imposed moratorium on new lending as part of the lead-up to the merger.

The largest challenge facing the program remains the competition amongst the MFIs in Maputo. The three MFIs in Mozambique, with the largest portfolios are all operating in Maputo, and this coupled with limited disposable income for the population, has made the market highly competitive. These MFIs are also regulated institutions that are able to offer their clients an improved range of products.

The financial self-sufficiency of the program has also been poorer than expected. The decline in the numbers of clients and portfolio stagnation is responsible for this. The merger with OI's new microfinance bank in Mozambique is in process, and while this will fulfill the target for institutionalization of the program, lending activities have been scaled down during the transition

process to ensure that the portfolio to be carried over to the new institution is sound. To help ensure the best returns for the program, departing staff is not being replaced and other staff is being reassigned. Other measures to curb expenses have also been put in place and expenses have been controlled.

Those clients who have remained with the program and have managed to grow their businesses have shown significant success. The average equity growth in their businesses was just over 17% and the average initial loan size increased by 25%.

Although no new MIS or accounting systems have been developed and revisions to the existing systems have been minimal, Kulane has been able to provide adequate financial and portfolio reporting. Staff working with these systems is trained, understand their functions and is able to provide the management reports necessary.

5.3 Relationship with Local Implementation Partners

Presented and discussed in detail above, there is nothing further to add on this subject.

6. MANAGEMENT: REVIEW AND ANALYSIS OF HEADQUARTERS/SUPPORT FUNCTIONS

See **Appendix 1** for tabular detail on objectives, targets and results.

Re-organization of IED into three product lines was completed during the year. This change is based on a 'Product Leadership' model. The new product lines are:

- 1) **Microfinance (MF)** – providing innovative and sustainable access to savings and credit for the poor;
- 2) **Production-Marketing Linkages (PML)** – providing innovative and sustainable access to markets for small producers and/or giving the poor better access to products that serve their basic needs; and,
- 3) **Investment Fund Development (IFD)** – promoting profitable direct investment in businesses and institutions that serve the poor.

This change is yielding encouraging results and enabling MEDA to:

- more effectively invest its' resources and attention on building core areas of service excellence;
- behave more strategically in relation to positioning itself in the marketplace;
- with a clear set of product line focused performance goals in hand, more effectively engage staff teams, now product line oriented, in ongoing reflection, SWOT and similar review exercises in support of the Annual Review of Operations and Planning exercise; and,
- develop a more tightly focused set of core products and services and to improve the 'packaging' and presentation of these to the development community and to donors.

As indicated in the previous annual report, the MG has enabled MEDA to invest in building up the recognized professional expertise in product line areas of key staff, essential in relation to ensuring that MEDA will be able to meet the goals it has set for itself.

Continuing progress made in Year Two, MEDA further consolidated its internationally recognized capacity in the BDS area. Ms. Linda Jones, Senior Consultant / Project Manager, PML, has built on her previous year's professional training with a string of presentations and papers this year: presentations – 'Secured Productive Chains and MF Monitoring', SEEP AGM, (Washington, October 03) and 'BDS and Low-Income Women', ILO BDS Seminar (Chiang Mai Thailand, September 04); papers – 'Gender and BDS Thinkpiece' (SEEP Network, July 04), 'The Role of the Facilitator', PLP Technical Note (USAID 04) and 'Middlemen as Agents of Change', PLP Learning Paper (USAID 04). Ms. Jones continues to serve as a SEEP BDS Working Group Member (2003 – 2004) and has been nominated to the SEEP Board (outcome expected 27th October). In addition, Ms. Jones has developed and now teaches a new MBA level course in BDS (Eastern University, MBA in International Economic Development, Fall 03 and 04).

MEDA also made strides during Year Three to build its reputation in the MF and cross-cutting gender issues areas. Ms. Jennifer Helmuth, Assistant Manager for Human Resources, developed and delivered workshop content for Training of Trainers on Human Resource Management in MFIs at the Micro Finance Centre (Poland, May 04). Ms. Pauline Achola, Technical Advisor, International Operations is a member of the SEEP HAMED (HIV/AIDS and Micro-Enterprise Development) Working Group that is currently developing a manual of

promising practices in economic mitigation practices for MFIs in communities affected by HIV/AIDS. Ms. Achola participated in the HAMED working group discussions in July in Washington DC, by conference call in September, and will also participate in a meeting in Washington DC at the end of October to finalize the manual. A measure of MEDA's quickly growing reputation in the 'gender and BDS' area, MEDA's PML unit is beginning to receive requests from other BDS agencies¹¹ to assist them to strengthen their capacity to address gender and low-income women in their BDS programmes.

Meeting its' Year Three target, MEDA recruited a third BDS practitioner, Mr. Nigel Motts, to the PML team at the beginning of July. Formerly the co-Team Leader, based in Johannesburg, of the Small Enterprise and Livelihoods Program at Canada's International Development Research Centre, Mr. Motts brings twenty years of experience in market-led rural enterprise development and BDS fields in Africa to MEDA. In addition to agriculture sub-sector experience, Mr. Motts possesses a wealth of insight and skill acquired across a range of 'small enterprise relevant' sectors including science and technology, innovation systems, information economy (e-commerce, ICT strategy), industrial strategy, livelihoods and family-based socio-economic security systems. His appointment strengthens the PML team's overall professional capabilities and with his assistance, PML expects to substantially extend its BDS and productivity chains activities in Africa over the next several years.

During Year three, MEDA personnel were very active in pursuing professional development and training opportunities improving MEDA's overall development management capabilities and competencies in core product lines.

Senior management personnel participated in over half a dozen international development conferences and business development fora including the CCIC Africa Forum (Ottawa, April 04), the World Business Forum (New York, May 04), an Ontario Exports Seminar (Hamilton, June 04) and the Association of Enterprise Opportunity National Conference (Philadelphia, May 04). Mr. Ed Epp, Vice President for Resource Development, completed an executive level course in Marketing Strategy at the Ivey Business School: Marketing Strategy Program (London, Ont., April 04). Mr. Gerald Morrison, Corporate Controller, completed a course in Charities Law at Osgood Law School (Toronto, Jan 04).

Professional development activities by MEDA staff at the product line level included: Ms. Pam Fehr, Senior consultant / Project Manager, Micro Finance (MF) attended a Conference on Best Practices in International Cooperative Development by CCA, DID, SOCODEVI (Ottawa, Oct 03) and the SEEP AGM (Washington, Oct 03); Ms. Meagan Andrews, Senior Consultant / Project Manager, MF, attended a 10 day Rural Micro Finance course at IAC (Wageningen, The Netherlands, April 04). Ms. Linda Jones, Senior Consultant / Project Manager, PML, attended the SEEP Participatory Learning Program Workshops (Jaipur, India, March 04) and the ILO BDS Seminar (Turin 2004). Appendix Five contains a full listing of training and professional development activities by MEDA staff during Year Three.

MEDA has continued to make good on its' commitment to pursuing synergies, as opportunities arise, across product lines in its' International Economic Division for the benefit of MEDA's field partners and clients.

MEDA made good progress during the year in sharing the skills and perspectives of senior staff at HQ with MEDA staff around the world. Assisted by Ms. Jones, Mr. Steven Rannekleiv, also a

¹¹ Swiss Contact's Katalyst project and CARE, both in Bangladesh.

Senior Consultant / Project Manager, Production and Marketing Linkages (PML) put together and delivered a BDS training workshop for MEDA worldwide staff as part of the objective of building organizational capacity in BDS. (Lancaster, Pennsylvania, February 04). The two-day workshop sought to build staff's skills and capacity in BDS sub-sector analysis, tools and techniques and Program Design. Practical examples and case studies used in the workshop included some of MEDA's own BDS projects. This workshop represented a significant milestone in MEDA's increasing capacity to critically reflect on and draw lessons from its BDS work around the world and to institutionalize these new understandings across the organization. Based on these experiences, work is now underway to publish 'MEDA: markets-driven BDS good practices guide' (working title) for dissemination to the wider BDS practitioner community. PML expects that this will be the first of a series of publications which will draw on MEDA's experience concerning current BDS challenges.

In addition to conducting field-training workshops, MEDA's Training and Resource Unit (TRU) completed work on a series of analytical and project planning guides on cross-cutting issues and introduced these with MEDA staff:

- Gender Strategy Manual – Strategy document, Overview of gender considerations for projects, Specific guidelines for each stage of project
- Gender Assessment Tools – Specific guidelines from project design/planning to impact assessments, Tools for gender analysis in projects
- Gender Workshop – a three day duration gender training workshop – Five Sessions; User-Friendly Participant Workbook (Handouts and Activities), Facilitator Notes, Appendices; Applicable to participants with various levels of understanding of gender issues from basic to experienced. Two and one day duration versions available.

Synergies¹² under the new organizational structure are beginning to occur naturally and bear fruit in two ways. Within product lines, 'functional synergies' are now occurring as a result of grouping key functions (i.e.: R&D and learning, project management, consulting, training and dissemination) under each product line director. Second, with organizational performance objectives and roles now more clearly expressed along product lines, inter-product line coordination is improving. As examples, in Year Three:

- PML and the V.P. Resource Development joined forces to generate new PML business, this resulting in five new BDS project contracts in addition to the US\$4 million fruit sub-sector development program in Tajikistan (in which the MF product line is participating) reported last year: Peru – two BDS contracts with Chemonics valued at US\$2.5 million, Tanzania – a US\$5.6 million contract on an ITN voucher scheme, and Pakistan – a US\$0.6 million women's micro-enterprise BDS services improvement project;
- Human Resources worked with the MF product line to develop and lead a human resources management and development workshop for MFIs;
- Complementing the MF product line's experiments to incorporate ITNs for malaria prevention in micro-lending products in Mozambique, PML participated in a joint bid on a DFID-funded ITN products markets development and ITN voucher distribution project (decision pending); and,
- Most recently, the PML team has begun working with the MF's new MMF project director to identify and develop opportunities to pilot test Agro Monitor Plus in Mozambique, the first of which may focus on linking MFIs into existing agriculture productivity chain projects in the country.

¹² Synergies are not planned (as may be interpreted from the original wording of the project proposal) but are occurring in response to demand and opportunity. Restructuring is enabling this to unfold naturally.

The PML product line has moved quickly to incorporate recently identified market-oriented BDS principles and practices into its' existing PML programs in Peru and Nigaragua. Developments in this direction were initially reflected in the revised DIP (Peruvian portion, Nov 2002) and briefly discussed in the previous report. The above-noted new project in Tajikistan, which design is based on these principles, was launched during the year. The ITN voucher project in Tanzania and the women's micro-enterprise BDS project in Pakistan are examples of PML putting these principles into practice. The former is designed to tap and reinforce markets-based means of delivering services (health commodities rather than BDS services in this case) and the latter aims to strengthen and expand the capacity of commercial BDS service providers to better satisfy the support needs of women micro-entrepreneurs. Mr. Motts, whose work in Africa is based on similar premises, further strengthens the PML team's project design and management capabilities in this regard. Lastly, during the year, PML brought these perspectives to bear in a series of consultancy assignments, expressions of interest (EOI) and full proposals submitted to various funding agencies.

7. FINANCIAL NARRATIVE REPORT, PERIOD ENDING SEPTEMBER 30, 2004

Headquarters Program Expenditures – Headquarter program expenditures were 7% below budget for the year. Expenditures on conferences, seminars and office facilities were slightly over budget, but more than offset by savings in other program areas.

Headquarters Procurement Expenditures – Headquarters procurement costs were well under budget for the year. We anticipate additional costs in the final six months of the project for audit and evaluation, which will use the majority of the funds remaining in this budget category.

Total budget – MEDA has \$180,000 in USAID funding remaining for the final six months of the award. MEDA's contribution to the program is running ahead of target with \$76,000 remaining to be contributed in the final six months.

Fundraising Activities: MEDA's fundraising activities are performing very well, showing growth in contributions in each of the past three years with growth of 25% over that time period. MEDA's fundraising target for the coming year is increased by a further 4% and we are optimistic of meeting that target.

8. LESSONS LEARNED AND LONG TERM PROJECT IMPLICATIONS

1. Estimates of project costs and benefits

In the preparation of PML's IGP BDS proposal for value chain development in Pakistan to USAID, it carried out a rigorous process for estimating the project costs and benefits, including the cost per project beneficiary. This process provided new insights into projecting costs and benefits as part of program design, against which later impact assessments can be measured.

2. Institution building assessment

MEDA's experience in Mozambique to find and secure a long term sustainability solution for Kulane once project funding ends underscores the difficulties of trying to respond with much needed, but otherwise unavailable services directly in post-conflict reconstruction settings. When sustainability is a priority, planning for this should ideally begin at the project design stage.

3. Estimate of sustainability

As part of this PVC project, MEDA has undergone a change in how we measure sustainability. Previously, sustainability was measured by the success or failure of individual businesses that were using to offer a service. In the new paradigm, MEDA measures success by looking at the number of companies offering a service, how many small businesses are being reached, and the positive impacts that these small businesses derive from those services. When the measure of success is the profitability of an individual company, there is a tendency to keep trade secrets and learning confidential in order to limit competition (and therefore promote the interests of the individual company), which is often in conflict with the best interest of small producers. The adjustment in strategy seems more coherent with the desired end result of supporting a larger number of producers with the limited resources at MEDA's disposal.

4. Benefit distribution (disaggregate by gender)

Setting performance targets and monitoring progress made against these does work. MEDA's MFIs served, on average, a client base that was 65% to 70% women. There have been more women in management positions in the past three years than at any other time at MEDA. In Tanzania, for example, four out of seven senior staff members were women. The direct reach of MEDA's programming assisted 44,899 persons. Of the direct beneficiaries, 55% were women. MEDA's programming indirectly benefited over 179,500 persons. Of those indirectly benefited, 67% were women. This underscores the need for MEDA to continue to refine its' performance assessment tools and processes.

5. Local participation (disaggregate by gender)

No comment.

6. Leadership development (disaggregate by gender)

No comment.

7. Innovation and technology transfer

Part of the impressive success of the hydroponics technology project in Peru is the effective linking of farmers to markets. The project has validated the importance of establishing solid market linkages before increasing production.

Agro Monitor has created the means for MEDA to practically apply many of its' newly learned market-oriented BDS principles to improving the performance of productivity chains. The value of investing in and leveraging software is underscored. That said, the value of the software is ultimately driven by how well tacit knowledge can be embedded into the product through software engineering. The more complex and 'open' the application, the more difficult it is for end-users to put it to use and the greater the level of external technical support they need to do so (raising costs and limiting product diffusion potential). Scaling up will depend on continued product refinement.

8. Policy implications

The vertical 'productivity chains' approach to intervention that PML has applied in this MG is more likely to yield sustainable gains for the productive poor than more traditional cross-cutting 'BDS styled' interventions. By engaging all relevant stakeholders and role players, the productivity chains approach is better able to ensure that all conditions that need to be satisfied to achieve gains are satisfied.

9. Collaboration/networking with other U.S. Agencies

No comment.

10. Partnership with local entities

MEDA is aware of the impact that globalization has on production and trade. Thorough research is carried out before any production and/or marketing projects are implemented to ensure that conditions are favorable for the development of a project. Local contacts with appropriate people, organizations and government agencies have been useful in creating successful programs. But even with thorough R&D, careful planning and risk mitigation, some unforeseeable external circumstances can still occur. For example, Mexico's violation of the Free Trade Agreement contributed to the closure of COFAM, a MEDA supported marketing company in Nicaragua.

In our BDS project in Pakistan and sub-sector development program in Tajikistan, we are partnering with local NGOs rather than opening a country office. This is proving to be efficient in terms of launching programs, leveraging the local partners' capital (staff recruitment, government contacts, established relationships with local organizations, professional and personal networks), and developing programs that are compatible with the local environment - socio-cultural as well as policy/regulatory.

Work with local partners needs more management and financial analysis in advance. We need to understand their capacity in the long term or at least during the life of the project. MEDA Peru lost valuable time at the beginning trying to secure good partners.

11. Replication potential of project approach and activities

'Agromonitor Plus', a simplified version of the agricultural monitoring software currently in use in Peru, is being developed for use for different products in different contexts. This will expand its utility in different geographic contexts and MEDA is planning to use it in projects in Tajikistan and Mozambique.

Recent BDS proposals and programs have been based on industry theory and best practices. With this foundation, programs are more likely to contribute to industry and MEDA learnings, and to provide opportunities for replication. For example, in Pakistan, MEDA is reaching homebound women in conservative areas of Pakistan and bringing them into profitable value chains. If this model proves successful over the mid to long-term, there will be potential to replicate it in Afghanistan and Bangladesh where MEDA already has some involvement. At the same time, MEDA is undertaking pro-poor sub-sector development in Tajikistan, that will further MEDA's expertise in integrating poor producers into regional and global value chains.

9. ATTACHMENTS TO ANNUAL REPORTS

1. Appendix One – Tabular Review of Outputs
2. Appendix Two – Country Data Sheets
3. Appendix Three – Revised DIP.
4. Appendix Four – Financial Data
5. Appendix Five – HQ, BDS and MF Staff Training and Professional Development Log, Year three

Appendix One – Comparison of Results to DIP, Year Three

PERU

<i>Indicators</i>	<i>Target for FY04</i>	<i>Actual attained as at 30/9/04</i>
Organizational development		
<ul style="list-style-type: none"> ➤ Develop business plan for Mega System ➤ Develop administrative systems to allow produce exporters to subcontract production to small producers 	<ul style="list-style-type: none"> ➤ Mega System business plan developed & implemented ➤ Administrative systems designed & implemented with at least one partner 	<ul style="list-style-type: none"> ➤ Mega System business plan in place and implemented ➤ Administrative system in place and implemented in one partner. We might implement the system in another partner before the end of the project.
➤ # of staff managing project	➤ 3	➤ 3
➤ HR policies implemented	➤ HR policies implemented	➤ HR policies in place
➤ Financial accounting ACCPAC system in place	➤ Financial reports submitted using new system	➤ The ACCPAC system is in the process to be adapted to Peru regulations
➤ Staff received BDS training.	➤ Staff able to replicate and design new BDS projects	➤ Staff has used the BDS concept on new proposals
➤ BDS project concept papers developed (by end of project)	➤ 4	➤ 5 proposals submitted using BDS concept, 2 accepted and 3 are under evaluation.
➤ Gender training for all staff, financial training, BDS training other computer training.	➤ No formal indicators	➤ All staff received gender training twice and several training on BDS and computer.
Technical intervention		
➤ # of demonstrations made to various institutions	➤ 10	➤ 20 demonstrations: 1 to CRSM, 1 to Asociación de Cajas Rurales, 2 to PRA project: Lima and Tarapoto, 4 to PDAP project: Tingo Maria, VRAE, Tocache and Aguaytia, 3 to FONCODES, 2 to CEPSCO, 1 to Ascociacion Entorno, 1 to Caja Rural Norperu 1 to Caja Rural Sr. de Luren, 2 to Foncodes: Lima and Tarapoto, 1 to CTTU and 1 to CEDEPAS
➤ # of systems installed.	➤ 2	<ul style="list-style-type: none"> ➤ 40 systems installed. The original version in 5 computers in CRSM, 1 in Prodasa. The new version in 34 computers, 1 in PRA office in Tarapoto, 3 in PRA Lima and 30 in PDAP offices (4 in VRAE, 3 in Tingo Maria, 6 in Aquaytia, 17 in Tocache) ➤ 2 Ssystems are in the process to be installed in Meda Nicaragua and Meda Mozambiquee ➤ 2 Systems are in the process to be sold to FONCODES and Entorno

Indicators	Target for FY04	Actual attained as at 30/9/04
➤ # clients tracked	➤ 250	➤ 15,900 tracked with the MIS system
➤ # service providers monitored with system	➤ 15	➤ 30 service providers
➤ # of ag products monitored	➤ 2	➤ 12 products monitored: cacao, coffee, bananas, corn, cotton, hay, camu camu, citrus fruit, papaya, pineapple, peanuts and rice
➤ # of irrigation systems implemented	➤ 8	➤ 54 units in place
➤ # of farmers reached	➤ 5000	➤ With the MIS system 15,900 farmers were tracked, 150 farmers participated on a RPS in Bagua. ➤ 300 farmers participated on the snow pea project (140 beneficiarios campaña anterior + (7 hec snow+ 9 sugar)*10 + 8 corn*5...total 340, se redondea a 300))
➤ % of farmers reached female	➤ 10%	➤ 20% female participated monitoring with Agromonitor. ➤ 60% female in the snow pea Project
➤ % increase in productivity	➤ 5%	➤ 120% increase in productivity
➤ % decrease in cost of inputs	➤ 7%	➤ Cost of inputs has decreased 15% on the snow pea project and 10% on the RPS with the use of the MIS.
➤ % sustainability of Mega System ➤ profitability of individual services of Agro Monitor	➤ 98% ➤ 105% (5% profit)	➤ Mega System is 100% sustainable ➤ There is no profit since Mega System is in an investing stage
Partnerships		
➤ promotion of high value produce production systems	➤ 20 systems implemented	➤ 54 technological packages have been implemented.
➤ training on irrigation technology	➤ 100 farmers trained	➤ 150 have been trained in irrigation technology (54 dueños de las units y 2*54 para peones de surqueo.. se redondea a 150)
➤ # products developed	➤ 3	➤ 3 products are produced with the technological package: baby corn, snow peas and sugar snaps .
➤ increase in productivity	➤ 25%	➤ The average increase on productivity has been 120%
➤ increase in # of high value produce marketing companies subcontracting to small farmers	➤ 3	➤ 2 marketing companies have participated in the project: PHISAC and INAGRO. MEDA Peru realize the need of capital to reach more small farmers and other marketing companies.

Indicators	Target for FY04	Actual attained as at 30/9/04
Sustainability		
➤ # 'lessons learned' case studies developed	➤ 2	➤ MEDA is working in case studies. It has published an article on a well known agriculture magazine and is writing another one to share its experience.
➤ # of seminars / conferences attended	➤ 2	➤ 4 in BDS
➤ Participation in workshops/ conferences	➤ 3	➤ 20 workshop/conferences participated. They have been related to export, APTDA, Peruvian regulations, accounting, BDS, strategic planning
➤ New partnerships solicited	➤ 5	➤ MEDA has been in contact with 7 potential partnerships (medium to big size Peruvian exporter's companies): Intipa, Damper, Roots Peru, CEDEPAS, CTTU, Rain Forest, San Fernando
➤ New proposals developed	➤ 3	➤ 7 proposals has been developed, 3 accepted and 4 are under evaluation
➤ # New programs	➤ 2	➤ 5 new programs has beer ran, 3 with PDAP (Chemonics) last for 9 months and 2 are still in place.

Appendix One – Comparison of Results to DIP

MOZAMBIQUE

<i>Indicators</i>	<i>Target for FY04</i>	<i>Actual Attained at 30/9/04</i>
Organizational development		
<ul style="list-style-type: none"> ➤ Change in institutional structure ➤ Governance structure installed 	<ul style="list-style-type: none"> ➤ Identified potential governance body ➤ Registration process in progress or merger completed 	<ul style="list-style-type: none"> ➤ Identified new microfinance bank as merger partner. Bank to have fully constituted Board of Directors to govern ➤ MOU signed and process to be completed before June 2005
<ul style="list-style-type: none"> ➤ Client retention rate ➤ Increased client demand 	<ul style="list-style-type: none"> ➤ 90% 	<ul style="list-style-type: none"> ➤ Client demand exists but clients can not afford credit or already hold credits with other MFIs who offer a wider range of services
<ul style="list-style-type: none"> ➤ Training sessions conducted ➤ Improvements made on MIS and accounting system 	<ul style="list-style-type: none"> ➤ Training completed in: advanced financial modeling and ratio analysis ➤ Review and changes made to MIS / accounting system 	<ul style="list-style-type: none"> ➤ The program manager and credit supervisor have both been trained in financial modeling using Microfin. Two staff people attended ratio analysis course offered by the MMF. ➤ Accounting system functioning and further reviews to MIS and accounting system put on hold due to merger. The new bank will use banking software and the data for Kulane will be taken into that system
<ul style="list-style-type: none"> ➤ # of staff trained ➤ Staff retention rate 	<ul style="list-style-type: none"> ➤ 4 ➤ >90% 	<ul style="list-style-type: none"> ➤ 3 ➤ Staff retention = 79% One voluntary resignation and 2 dismissals for fraudulent actions.
Technical intervention		
<ul style="list-style-type: none"> ➤ Policies and procedures revised ➤ Accounting staff applying internal control procedures 	<ul style="list-style-type: none"> ➤ Internal control policy implemented and internal auditor hired and trained 	<ul style="list-style-type: none"> ➤ Internal control policies in place. Internal auditor not hired because of low # of clients and pending merger.
<ul style="list-style-type: none"> ➤ Improved growth in equity rate for individual clients ➤ Improved repayment rate for repeat clients 	<ul style="list-style-type: none"> ➤ >10% average growth in client equity 	<ul style="list-style-type: none"> ➤ Sample of repeat clients have shown an average equity growth of just over 17%
<ul style="list-style-type: none"> ➤ # of staff trained ➤ New credit officers to achieve target caseload w/n 6 months ➤ Credit Supervise able to analyze portfolio indicators 	<ul style="list-style-type: none"> ➤ All credit staff undergo training ➤ Portfolio targets met 	<ul style="list-style-type: none"> ➤ 2 members of credit staff were trained in Environmental Assessment for Microfinance ➤ 2 members of staff attended the 3rd Microfinance Conference in Mozambique and attended workshops presented ➤ 1 staff member attended training in Trainer of Trainer
Partnerships		
<ul style="list-style-type: none"> ➤ # of clients purchasing nets ➤ # of vouchers exchanged ➤ \$ of sales/credit officer 	<ul style="list-style-type: none"> ➤ 25% of clients purchase nets ➤ \$450 value of nets per credit officer sold 	<ul style="list-style-type: none"> ➤ 12% of average # clients in FY04 purchased ITNs ➤ \$99 value of nets per credit officer sold
<ul style="list-style-type: none"> ➤ # of organizations consulted 	<ul style="list-style-type: none"> ➤ Client base expanded 	<ul style="list-style-type: none"> ➤ Partnership with HelpAde

Indicators	Target for FY04	Actual Attained at 30/9/04
and presentation made	through new partnerships	established, but needs of the majority of target group differs from what Kulane offers
Sustainability		
<ul style="list-style-type: none"> ➤ Financial sustainability ratio ➤ # of active clients ➤ Definition of institutional structure 	<ul style="list-style-type: none"> ➤ 80% ➤ 1,831 ➤ Future structure / merger defined 	<ul style="list-style-type: none"> ➤ 51% ➤ 508 ➤ Merger with new microfinance bank of Opportunity International
<ul style="list-style-type: none"> ➤ # of new products for alternative sectors ➤ Increase in avg. loan size 	<ul style="list-style-type: none"> ➤ Introduce rural credit line with merger partner ➤ 26% 	<ul style="list-style-type: none"> ➤ Rural credit line not introduced. Focus for Kulane has been on urban loans ➤ 25%
<ul style="list-style-type: none"> ➤ ITN product developed ➤ repayment rate ➤ Rural credit product developed ➤ Contribute to advancement of the microfinance sector 	<ul style="list-style-type: none"> ➤ Line of credit available for ITN ➤ 98% ➤ Rural credit identified and ready for pilot testing ➤ Company identified for creation of credit bureau. ➤ New law includes revisions for MFIs ➤ 3 bulletins distributed ➤ Criteria and systems governing participation in fund in place and selection process underway 	<ul style="list-style-type: none"> Line of credit available ➤ 94% ➤ Rural credit not identified ➤ Company identified, but waiting for approval from the Bank of Mozambique to allow regulated and non-regulated MFIs to share client information ➤ Revised Financial Act includes new institutional type – MicroBanks ➤ 2 bulletins distributed (Policy Development Process for MFIs and Rural microfinance) ➤ Criteria established and requests for proposals received with selection process underway.

Appendix One – Comparison of Results to DIP, Year Three

HEADQUARTERS

Indicators	Target for FY04	Actual attained as at 30/9/04
Organizational Development		
<ul style="list-style-type: none">➤ Departments' annual review and plan of operations (ARPO)➤ # of concept papers developed for funding➤ # of proposals developed for funding➤ IOPS/IFD's five year strategy defined➤ Organizational structure of IED revised	➤ 3 ARPOs/ dept. completed	<ul style="list-style-type: none">➤ 3 ARPOs completed.➤ 4 concept papers developed in FY04 plus more than 10 from prior years➤ 7 proposals submitted in FY04 plus 8 in prior years➤ ARPO Fiscal Year 2005 shows that IOPS/IFD's new product line strategy is in place and operational➤ IED organizational structure based on product lines now in place and operational
	➤ 12 concept papers	
	➤ 6 proposals	
	➤ New strategy defined and in place	
	➤ Changes to IED structure in place	
<ul style="list-style-type: none">➤ # of technical BDS/Ag advisors based in HQ➤ # of programs adopting new strategies (BDS/AG)➤ # of concept papers developed for funding	➤ 3 BDS/Ag advisors based in HQ	<ul style="list-style-type: none">➤ 3rd BDS/Ag Senior Consultant / Project Manager hired 4th August; plans firm to hire 4th person before end of project➤ 3 country programs in place (Peru, Nicaragua and Mozambique)➤ 4 BDS/PML concept papers developed in FY04 plus 8 from prior years
	➤ 3 Country Programs (Peru, Bolivia and Nicaragua)	
	➤ 6 concept papers developed for BDS/PML funding	
Technical Intervention		
<ul style="list-style-type: none">➤ # of partners submitting monitoring sheets to HQ➤ # of BDS indicators developed	➤ not applicable (refer to previous annual report for details)	<ul style="list-style-type: none">➤ N/A
	➤ 8 BDS indicators developed	
<ul style="list-style-type: none">➤ # of social impact indicators (monitoring of investments)➤ # of investments evaluated using criteria	➤ 5 social impact indicators	<ul style="list-style-type: none">➤ 7 categories comprising 40 social impact indicators identified➤ pilot testing underway (new investment screening)
	➤ 10% investments evaluated using criteria	
<ul style="list-style-type: none">➤ # of microfinance programs using MIS systems➤ # of Reviews/ Improvements to MIS system (microfinance)➤ # of monitoring trips to assist/test market information system (BDS)➤ financial tracking system used by country programs	➤ 4 microfinance programs using MIS systems	<ul style="list-style-type: none">➤ 5 microfinance programs using MIS systems. (1 Tanzania, 3 Mozambique, 1 Jamaica); 3 more installations in process (Tanzania, Nicaragua and Afghanistan)➤ 1 MIS system review in FY04 in XacBank in Mongolia
	➤ 3 updates carried out	
	➤ 6 MFIs using MEDA's MIS system	
	➤ 2 but with ongoing HQ support	

Indicators	Target for FY04	Actual attained as at 30/9/04
	<ul style="list-style-type: none"> ➤ 100% of the programs provide figures for the financial tracking system 	<ul style="list-style-type: none"> ➤ Agro Monitor, a BDS monitoring system has been developed and implemented in numerous client sites/projects ➤ 100% MEDA programs provide financials monthly and 100% of MEDA's financial programs provide SEEP information monthly.
Partnership		
<ul style="list-style-type: none"> ➤ # of training sessions facilitated by TRU ➤ # of training provided to staff ➤ # of TA monitoring trips to Partner organizations ➤ participants' satisfaction of training content 	<ul style="list-style-type: none"> ➤ 3 (Moz) ➤ 5 (Peru) ➤ 3 (gender) ➤ 3 (environment) ➤ 3 (impact assessment) ➤ 8 ➤ 5 (on a score of 6) participant's satisfaction of training content 	<ul style="list-style-type: none"> ➤ Prior years TRU Training: 2 Gender workshops in Peru and Mozambique, helped develop Environment training sessions in Peru. ➤ Prior years 1 Impact assessment workshop in Egypt to MEDA staff ➤ Prior year Trips: 1; FY04 trips to Peru (Dec 03) 1 trips to Mozambique (Oct 03)
<ul style="list-style-type: none"> ➤ Define use of new report structure ➤ # of BDS monitoring reports received from field ➤ total # of impact studies completed (BDS) 	<ul style="list-style-type: none"> ➤ All programs using new standards ➤ 0% ➤ 0 impact study completed 	<ul style="list-style-type: none"> ➤ Quarterly reporting on outputs achieved against performance indicators, with variances and explanations in tabular format implemented.
Sustainability		
<ul style="list-style-type: none"> ➤ # of management visits to Kulane ➤ determine strategy to expand /merger ➤ Increase loan capital for lending 	<ul style="list-style-type: none"> ➤ 6 ➤ Future strategy determined ➤ Increase by 20% 	<ul style="list-style-type: none"> ➤ well in excess of 6 visits ➤ Merger partner identified, MOU signed, entity to operate a bank with Board of Directors, business planning underway ➤ Substantial scaling up of loan capital anticipated once merger completed in June 2005
<ul style="list-style-type: none"> ➤ Monitoring of performance targets ➤ # of training sessions on BDS provided ➤ # of participants attending BDS conference 	<ul style="list-style-type: none"> ➤ Provide EOP evaluation ➤ 2 training sessions 	<ul style="list-style-type: none"> ➤ EOP evaluation scheduled December 04 after project time to completion extended by 6 months ➤ BDS Training for MEDA Worldwide Staff – February 2004
<ul style="list-style-type: none"> ➤ # of conferences attended ➤ # of workshops delivered ➤ # of case studies developed 	<ul style="list-style-type: none"> ➤ 6 ➤ 3 ➤ 2 	<ul style="list-style-type: none"> ➤ in excess of 6 conferences and forums attended in FY 04, plus 7 in prior years ➤ 4 workshops delivered in FY04 (2 on BDS, 2 on MF) plus 3 in prior years

Appendix Two – Country Data Sheets

ATTACHMENT D (1550)

PVO PROJECT REPORTING INFORMATION ON AID SUPPORTED PVO PROJECTS			
Project Information			
Name of Organization			
Mennonite Economic Development Associates			
Project Number		Grant/Contract Number	
		HFP-A-00-01-00020-00	
Start Date (MM/DD/YY)	End Date (MM/DD/YY)	AID Project Officer's Name	
09/29/01	30/09/04	Thomas Carter	
AID Obligation By AID FY (\$000)			
FY	AMOUNT	FY	AMOUNT
FY01	\$ 410		\$
FY02	\$ 651		\$
FY03	\$ 170		\$
	\$		\$
Project Purpose: Improve the development of MEDA Peru's institutional capacity in the Business Development Services (BDS) and agribusiness sectors to improve program delivery and expand MEDA's capacity in Peru to design, manage, and evaluate BDS programs.			
COUNTRY INFORMATION			
Country		Location in Country (Region, District, Village)	
Peru		Lima	
PVO Representative's Name		Local Counterpart/Host Country Agency	
Sonia Dominguez – MEDA Peru			
COUNTRY FUNDING INFORMATION			
Year 2004			
AID\$ 94,560			
PVO\$ 37,605			
INKIND\$ 0			
LOCAL			
Purpose (if other than project purpose)			
Status: 2/3 complete			
FOR OFFICIAL USE ONLY			
PVO TYPE		SUBPROJ	
APPN		FUND TYPE	
CNTRY CODE		TECH CODE	
PROJ OFFC		NON ADD1	NON ADD2
AID 1550-11 (8-85_			

Appendix Two – Country Data Sheets

ATTACHMENT D (1550)

PVO PROJECT REPORTING INFORMATION ON AID SUPPORTED PVO PROJECTS			
Project Information			
Name of Organization Mennonite Economic Development Associates			
Project Number		Grant/Contract Number HFP-A-00-01-00020-00	
Start Date (MM/DD/YY) 09/29/01	End Date (MM/DD/YY) 30/09/04	AID Project Officer's Name Thomas Carter	
AID Obligation By AID FY (\$000)			
FY	AMOUNT	FY	AMOUNT
FY01	\$ 410		\$
FY02	\$ 651		\$
FY03	\$ 170		\$
	\$		\$
Project Purpose: In Mozambique, MEDA supports the institutional development of a locally owned and operated financial institution called <i>Kulane ka Ntwanano</i> . To ensure <i>Kulane's</i> long-term sustainability, MEDA is also facilitating a merger between it and a new <i>MicroBank</i> venture in the process of being launched (early to mid-2005) by a consortia led by Opportunity International.			
COUNTRY INFORMATION			
Country		Location in Country (Region, District, Village)	
Mozambique		Maputo	
PVO Representative's Name		Local Counterpart/Host Country Agency	
Pierre Martin: MEDA Mozambique			
COUNTRY FUNDING INFORMATION			
Year 2004			
AID\$ 37,234			
PVO\$ 379,228			
INKIND			
LOCAL \$71,670 (Local program income included in PVO match)			
Purpose (if other than project purpose)			
Status: 2/3's complete.			
FOR OFFICIAL USE ONLY			
PVO TYPE		SUBPROJ	
APPN		FUND TYPE	
CNTRY CODE		TECH CODE	
PROJ OFFC		NON ADD1	NON ADD2
AID 1550-11 (8-85_			

Appendix Three – Revised DIP FY05 (Oct 04 – Mar 05) PERU

Program Objectives	Major Planned Activities	Indicators	Targets	Data Sources and Collection Methods
			End of Project	
Technical Interventions				
Improve Agro Monitor system	<ul style="list-style-type: none"> Assist MEGA System to develop 'thin' version of Agro Monitor 	<ul style="list-style-type: none"> Availability of 'thin' version 	<ul style="list-style-type: none"> Agro Monitor Plus released 	<ul style="list-style-type: none"> MEGA System's web site
Achieving Sustainability				
Replication of best practices in new program delivery and partnership	<ul style="list-style-type: none"> Document lessons learned Engage in sharing lessons with other MEDA programs 	<ul style="list-style-type: none"> # of case studies developed Productivity Chains manual 	<ul style="list-style-type: none"> 2 case studies completed Manual in Spanish & translated to English 	<ul style="list-style-type: none"> Case studies Manual

MOZAMBIQUE

Program Objectives	Major Planned Activities	Indicators	Targets	Data Sources and Collection Methods
			End of Project	
Achieving Sustainability				
Form a strong, sustainable credit institution	<ul style="list-style-type: none"> Merger of <i>Kulane</i> with OI's <i>MicroBank</i> 	<ul style="list-style-type: none"> Kulane staff employed by OI's <i>MicroBank</i> 	<ul style="list-style-type: none"> Merger completed 	<ul style="list-style-type: none"> Quarterly ARPO progress reports Legal merger documents
Develop new rural credit product line	<ul style="list-style-type: none"> Design/revise/test and place products on the market 	<ul style="list-style-type: none"> Rural credit product developed 	<ul style="list-style-type: none"> Fund in place, product available for piloting 	<ul style="list-style-type: none"> Quarterly ARPO progress reports
Contribute to the advancement of the microfinance sector	<ul style="list-style-type: none"> Support the creation of national MFI credit bureau serving the MFI industry Create loan fund and rural credit product for piloting MFI information bulletins 	<ul style="list-style-type: none"> Project Working Group (WG) Equipment tender process Availability # of bulletins 	<ul style="list-style-type: none"> WG established Legal structure identified Tender process initiated Fund in place 3 bulletins issued 	<ul style="list-style-type: none"> Quarterly ARPO reports Bulletins

Appendix Three – Revised DIP FY05 (Oct 04 – Mar 05)

HEADQUARTERS

Program Objectives	Major Planned Activities	Indicators	Targets	Data Sources and Collection Methods
			End of Project	
Improve the synergy between IED's four departments to develop integrated and more effective services to MEDA's field partners and clients	<ul style="list-style-type: none"> PML product line director to initiate action aimed at better integration of MEDA Peru's PML programming with overall PML product line direction External consultant to conduct End-Of-Project evaluation aimed at assisting senior management to identify further organizational development needs and options 	<ul style="list-style-type: none"> PML programming guidelines issued to MEDA Peru EOP evaluation report Departments' annual review and plan of operations (ARPO) Feb/March 05 	<ul style="list-style-type: none"> Guidelines issued EOP evaluation report 4 ARPOs completed by EOP 	<ul style="list-style-type: none"> Internal memos and email correspondences IED Monthly Reports 4th ARPO (PML) EOP evaluation report Internal memos and emails concerning recommendations 4th ARPO
Strengthen HQ technical expertise in BDS, production-marketing linkages	<ul style="list-style-type: none"> Recruitment of technical advisors in Agriculture and BDS Develop technical strategy in BDS, production-marketing linkages and microfinance 	<ul style="list-style-type: none"> # of technical BDS/Ag advisors based in HQ # PML staff able to 'spec' out and apply Agro Monitor Plus 	<ul style="list-style-type: none"> 3 2 pilots initiated in Tajikistan & Mozambique 	<ul style="list-style-type: none"> Organization chart Project progress reports, cooperation agreements
Develop social impact indicators to be incorporated into MEDA investments	<ul style="list-style-type: none"> Apply investment impact tools to due diligence process Monitoring of impact indicators in investments 	<ul style="list-style-type: none"> # of social impact indicators (monitoring of investments) # of investments evaluated using criteria 	<ul style="list-style-type: none"> 5 10% 	<ul style="list-style-type: none"> Due diligence on investments Social impact criteria checklist Quarterly investment reports
Enhance expertise in the delivery of MIS for financial and impact tracking	<ul style="list-style-type: none"> Complete implementation of 6th EPA system in Tanzania Train staff on the application of software 	<ul style="list-style-type: none"> # of microfinance programs using MIS systems training session completed 	<ul style="list-style-type: none"> +1 during six month extension for a total of 6 MFI's using EPA 1 	<ul style="list-style-type: none"> MIS systems report (Annual) Financial and monitoring reports generated from MIS systems Quarterly progress reports
Support and strengthen a locally managed Microfinance Institution in Mozambique	<ul style="list-style-type: none"> Maintain support for merger of Kulane with OI <i>MicroBank</i> venture 	<ul style="list-style-type: none"> # of management visits to Kulane 	<ul style="list-style-type: none"> +2 during six month extension period 	<ul style="list-style-type: none"> Trip reports
Contribute to industry-wide best practices for SME development	<ul style="list-style-type: none"> Publish MEDA's BDS lessons learned and best practices guide 	<ul style="list-style-type: none"> Availability 	<ul style="list-style-type: none"> Guide published 	<ul style="list-style-type: none"> Announcements and existence on MEDA & SEEP websites

Appendix Four – Financial Data

Appendix Five – HQ, BDS and MF Staff Training and Professional Development Log, Year Three

Name	Activity & Brief Description	Date	Location	Resources Acquired <i>training materials/books/conference notes</i>
Pam Fehr	A Conference on Best Practices in International Cooperative Development supported by CCA, (DID), SOCODEVI.	Oct 03	Ottawa	Conference handouts
Pam Fehr	SEEP AGM	Oct 03	Washington	Conference handouts
MEDA Staff	MEDA Annual Convention	Nov 03	Winnipeg, MB	
Gerald Morrison	Osgood Law School – Charities Law	Jan 04	Toronto	Course notes
Wendy Koch	DPA Communications Corp.	Jan. 29-30, 04		Web development training
Allan Sauder	MMA Stewardship University	Feb 21, 04	Archbold	
Allan Sauder	BDS Symposium	Feb 26-28, 04	Lancaster	BDS Manual
Various staff from MEDA	BDS Trainings session MEDA	27-28 Feb 04	Lancaster, PA	
Pam Fehr	2 presentations on MEDA's work in Haiti to MEDA members and the public	Spring 04		
Sheri Brubacher	Training in the Workplace courses towards Ontario Management Development Program certificate	Spring 04		Workbook / resource
Ed Epp	Ivey Business School: Marketing Strategy Program – Executive Education	Apr 04	London, Ontario	Provided by course
Meagan Andrews	Rural Microfinance Course, IAC	Apr 04 (10 days)	Wageningen, The Netherlands	CD of course materials
Allan Sauder	CCIC Africa Forum	Apr 15-16, 04	Ottawa	
Allan Sauder	International Development Days	Apr 21-23, 04	Calgary	
Kim Pityn; Jennifer Helmuth	MicroFinance Centre Poland – delivering a Training of Trainers on Human Resource Management in MFIs; Kim participated on panel presentation	May 04	Poland	Developed training materials for HRM in MFIs course
Allan Sauder	World Business Forum	May 10-11, 04	New York	Conference notes
Allan Sauder	Association of Enterprise Opportunity (AEO) National Conference	24-27 May 04	Philadelphia, PA	
Allan Sauder	Ontario Exports Seminar	Jun 16, 04	Hamilton	
Kim Pityn	CIDA Seminar on Program Based Approach	Aug 04	Mississauga	
Sheri Brubacher	Teambuilding and Team Leading (5 th course)	Fall 04		Workbook / resource